



SOCIAL SECURITY

MEMORANDUM

Date: March 1, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: Performance Indicator Audit: Improper Payments (A-15-11-11197)

We contracted with KPMG LLP to evaluate three of the Social Security Administration's performance indicators (PI) established to comply with the *Government Performance and Results Act of 1993*. The attached final report presents the results of the evaluation of two PIs. For the PIs included in this audit, KPMG's objectives were to:

1. Comprehend and document the sources of data collected to report on the specified PI.
2. Identify and test critical controls (both electronic data processing and manual) of systems from which the specified performance data were gathered.
3. Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for each of the specified PIs.
4. Recalculate each measure to ascertain its accuracy.

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

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**PERFORMANCE INDICATOR AUDIT:
IMPROPER PAYMENTS**

March 2012 A-15-11-11197

AUDIT REPORT



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.

Authority

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:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- 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:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



MEMORANDUM

Date: February 17, 2012

To: Inspector General

From: KPMG, LLP

Subject: Performance Indicator Audit: Improper Payments (A-15-11-11197)

OBJECTIVES

The *Government Performance and Results Act of 1993* (GPRA)¹ seeks, among other things, to improve the Government's internal management, program effectiveness, and public accountability by promoting a new focus on results, service quality, and customer satisfaction.² Specifically, GPRA requires that the Social Security Administration (SSA) establish performance indicators (PI) to measure or assess each program activity's relevant outputs, service levels, and outcomes.³ GPRA also requires a description of the means employed to verify and validate the measured values used to assess program performance.⁴

For this audit of SSA's PIs for Fiscal Year (FY) 2010, *Percent of Supplemental Security Income (SSI) payments free of overpayment (O/P) and underpayment (U/P) error and Percent of Old-Age, Survivors and Disability Insurance (OASDI) payments free of O/P and U/P error*, our objectives were to:

1. Comprehend and document the sources of data collected to report on the specified PIs.
2. Identify and test critical controls (both electronic data processing and manual) of systems from which the specified performance data were gathered.
3. Test the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for each of the specified PIs.
4. Recalculate each measure to ascertain its accuracy.

¹ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

² Pub. L. No. 103-62 § 2(a)(3) and (6), 107 Stat. 285.

³ 31 U.S.C. § 1115(a)(4).

⁴ 31 U.S.C. § 1115(a)(6).

This performance audit did not constitute an audit of financial statements in accordance with generally accepted government auditing standards. KPMG was not engaged to, and did not, render an opinion on SSA's internal controls over financial reporting or financial management systems (for purposes of Office of Management and Budget Circular No. A-127, *Financial Management Systems*, July 23, 1993, as revised). KPMG cautions that projecting the results of our evaluation to future periods is subject to the risks that controls may become inadequate because of changes in conditions or because compliance with controls may deteriorate.

BACKGROUND

We audited the following PIs, which were included in SSA's FY 2010 Performance and Accountability Report (PAR).

PI	FY 2010 Target	FY 2010 Actual ⁵
Percent of SSI payments free of O/P and U/P error ⁶	O/P accuracy 91.6% U/P accuracy 98.8%	O/P accuracy 93.3% U/P accuracy 97.6%
Percent of OASDI payments free of O/P and U/P error ⁷	O/P accuracy 99.8% U/P accuracy 99.8%	O/P accuracy 99.6% U/P accuracy 99.8%

SSA linked the PIs to its strategic objective 4.1: *Curb Improper Payments* and SSA's strategic goal 4: *Preserve the Public's Trust in SSA Programs.*⁸

SSI, authorized by Title XVI of the *Social Security Act*,⁹ pays benefits to disabled adults and children who have limited income and resources and to individuals who have attained age 65 and older without disabilities who meet the financial limits. It is designed to help aged, blind, and disabled people who have little or no income; and it provides cash to meet basic needs for food, clothing, and shelter.

The Old-Age and Survivors (OASI) and Disability Insurance (DI) programs, authorized by Title II of the *Social Security Act*,¹⁰ are entitlement programs funded from trust funds,

⁵ Actual results were not available until July 2011. SSA will report the FY 2010 actual results in the FY 2011 PAR. KPMG audited the accuracy of the FY 2010 actual results.

⁶ SSA's FY 2010 PAR, p. 71, November 2010.

⁷ SSA's FY 2010 PAR, p. 72, November 2010.

⁸ SSA, *Annual Performance Plan for FY 2011 and Revised Final Performance Plan for FY 2010*, p. 9, February 2010. SSA, *Revised Annual Performance Plan for FY 2012 and Revised Final Performance Plan for FY 2011*, p. 57.

⁹ *Social Security Act §§ 1601-1605, 42 U.S.C. §§ 1381-1385.*

¹⁰ *Social Security Act § 201, 42 U.S.C. § 401.*

which are supported by workers' taxes. The OASI program provides monthly cash retirement to workers and their dependents or, when workers die, to their survivors. The DI program provides monthly benefits to workers and their dependents when workers are determined to be disabled.

Individuals (or qualifying survivors) may become entitled under the OASI or DI programs based on the individual's taxable earnings during his or her lifetime. In addition, to qualify for DI, a worker must have a physical or mental impairment that prevents them from performing substantial gainful activity/work with earnings above a certain monthly amount.¹¹

Each year, SSA reports payment accuracy rates for the OASI/DI (Title II) and SSI (Title XVI) programs based on its stewardship reviews. SSA reports payments that should not have been made or inaccurate payments that were made as improper.

The Office of Quality Performance (OQP) performs stewardship reviews to examine the nonmedical elements in the Title II and XVI programs related to the payment accuracy and entitlement/eligibility of benefit payments made during a sample period. Each month, OQP selects a statistically valid national sample of OASI and DI beneficiaries who received a payment(s) during the review period. For each sample selected, the beneficiary or representative payee was interviewed; collateral contacts were made, as needed; and all non-medical eligibility factors were redeveloped as of the current sample month. SSI payment accuracy rates were determined by reviewing a statistically valid national sample of the SSI recipient rolls, selected from individuals who received a payment during the FY.¹²

Title XVI Stewardship Sample Selection Procedures

Effective with the October 2003 sample, the Electronic Quality Assurance (eQA) system, designed by Lockheed-Martin, was used to select all Title XVI samples. This system replaced the processes that were used from FYs 1996 through 2003. Each month, eQA selects a statistical sample of Title XVI recipients who received a payment during a certain period of time.

¹¹ Social Security Act § 223, 42 U.S.C. § 423.

¹² See SSA OIG, *The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520 (A-15-10-20163)*, September 30, 2010.

The sample selection for a given sample month was automatically initiated after an update referred to as the “computation date” was made to the Supplemental Security Record. The approximate annual sample size for the Title XVI Stewardship Review was 4,400.

Title II Stewardship Sample Selection Procedures

As of October 1, 2008, the sampling procedures for Title II reviews were converted to eQA. The sample selection operation produced a regional sample in the eQA system that identified cases selected for review and generated support material to facilitate the review of the cases. If necessary, the Assistance and Insurance Program Quality Branch (AIPQB) requests the Title II claims folders for the sampled Social Security numbers (SSN) from the program service center in the respective jurisdiction. The Title II stewardship review is an examination of all payments made on the sampled beneficiaries’ SSNs. The sampled SSNs are treated as “accounts,” and all payments associated with those accounts (that is, primary and auxiliary beneficiary payments) are reviewed by looking at the claim’s entire history. Consequently, the reviewer redevelops the eligibility factors of the beneficiaries on the sampled SSNs. This redevelopment includes requesting evidence (for example, birth certificates) that must be submitted to AIPQB and is retained in the electronic OQP data file.

SSA used a statistical approach to perform the sampling for the Title II and XVI data and applied weights to the sample results to extrapolate them to the population for both the Title II and XVI data. We evaluated the statistical approach used and the weighting process to determine their adequacy, accuracy, reasonableness, completeness, and consistency.

SSA calculated the PIs as follows.

$$\text{Percent of SSI/OASI and DI payments free of O/P} = 1 - \left(\frac{\text{Total Weighted Overpayment Dollars}}{\text{Total Weighted Dollars Paid}} \right)$$

$$\text{Percent of SSI/OASI and DI payments free of U/P} = 1 - \left(\frac{\text{Total Weighted Underpayment Dollars}}{\text{Total Weighted Dollars Paid}} \right)$$

RESULTS OF REVIEW

Our audit did not identify any significant findings related to the internal controls over the systems supporting the PIs.

We reviewed user access controls for the SSA network and eQA and observed within eQA that user access rights had been appropriately updated based on the information from the annual user access review (see Appendix C for key internal controls).

In addition, our audit did not identify significant findings with the adequacy, accuracy, reasonableness, completeness, and consistency of the underlying data for the PIs subject to audit. We were able to recalculate the accuracy of the PIs without exception.

We reviewed the sampling and weighting procedures used to determine the OASDI and SSI samples and determined that the processes appeared to be reasonable.

CONCLUSION

Based on the results of our audit, we believe the PI was adequate, accurate, reasonable, complete, and consistent with the underlying data. In addition, we noted that internal controls over the system supporting the PI were operating effectively.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Flowcharts and Process Narrative

[APPENDIX D](#) – Agency Comments

Appendix A

Acronyms

AIPQB	Assistance and Insurance Program Quality Branch
DI	Disability Insurance
eQA	Electronic Quality Assurance
FO	Field Office
FY	Fiscal Year
GPRA	<i>Government Performance and Results Act of 1993</i>
iESI	Internet and Intranet Enterprise Security Interface
LAN	Local Area Network
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OIG	Office of the Inspector General
OQP	Office of Quality Performance
O/P	Overpayment
PAR	Performance and Accountability Report
PI	Performance Indicator
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record
U.S.C.	United States Code
U/P	Underpayment

Appendix B

Scope and Methodology

We obtained an understanding of the Social Security Administration's (SSA) *Government Performance and Results Act of 1993 (GPRA)*¹ business processes related to performance indicators (PI), *Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) error* and *Percent of Old-Age, Survivors and Disability Insurance payments free of O/P and U/P error*. Our understanding was obtained through research and interviewing key SSA personnel from the Office of Quality Performance (OQP).

Through inquiry, observation, and other substantive testing, including testing of source documentation, we performed the following.

- Reviewed the *Annual Performance Plan for FY 2011* and *Revised Final Performance Plan for 2010* to obtain an understanding of the FY 2010 PIs.
- Reviewed prior Office of the Inspector General (OIG) and Government Accountability Office reports related to SSA's PIs.
- Reviewed OIG reports related to SSA's Plan to Reduce Improper Payments and Reporting of High-Dollar Overpayments Under Executive Order 13520.
- Reviewed applicable laws, regulations, and SSA policy.
- Flowcharted the processes (see Appendix C).
- Identified and tested key controls related to manual or basic computerized processes (spreadsheets, databases, etc.).
- Conducted and evaluated tests of the automated and manual controls within and surrounding each of the critical applications to determine whether identified key controls were adequate to provide and maintain reliable data used in measuring the specific PI.
- Identified attributes, rules, and assumptions for each defined data element or source document.
- Reviewed the process for controlling access to the datasets and storing the PI data as well as tested the appropriateness of the access privileges granted to the datasets for a selection of SSA personnel.

¹ Pub. L. No. 103-62, 107 Stat. 285 (codified as amended in scattered sections of 5 U.S.C., 31 U.S.C., and 39 U.S.C.).

- Determined the adequacy, accuracy, reasonableness, completeness, and consistency of performance data reported in SSA's *Fiscal Year 2011 Performance and Accountability Report*.
- Assessed the completeness and accuracy of the data to determine their reliability as they pertain to the audit objectives.
- Assessed the sample selection methodology for Supplemental Security Income (SSI) and Old-Age, Survivors and Disability Insurance (OASDI) Stewardship case files.
- Assessed the weighting methodology used to extrapolate the OASDI and SSI samples to the entire population.
- Re-calculated the payment accuracy rate, including case weights for overpayment and underpayments.

We conducted our 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 determined that the data used in the report is sufficiently reliable and believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

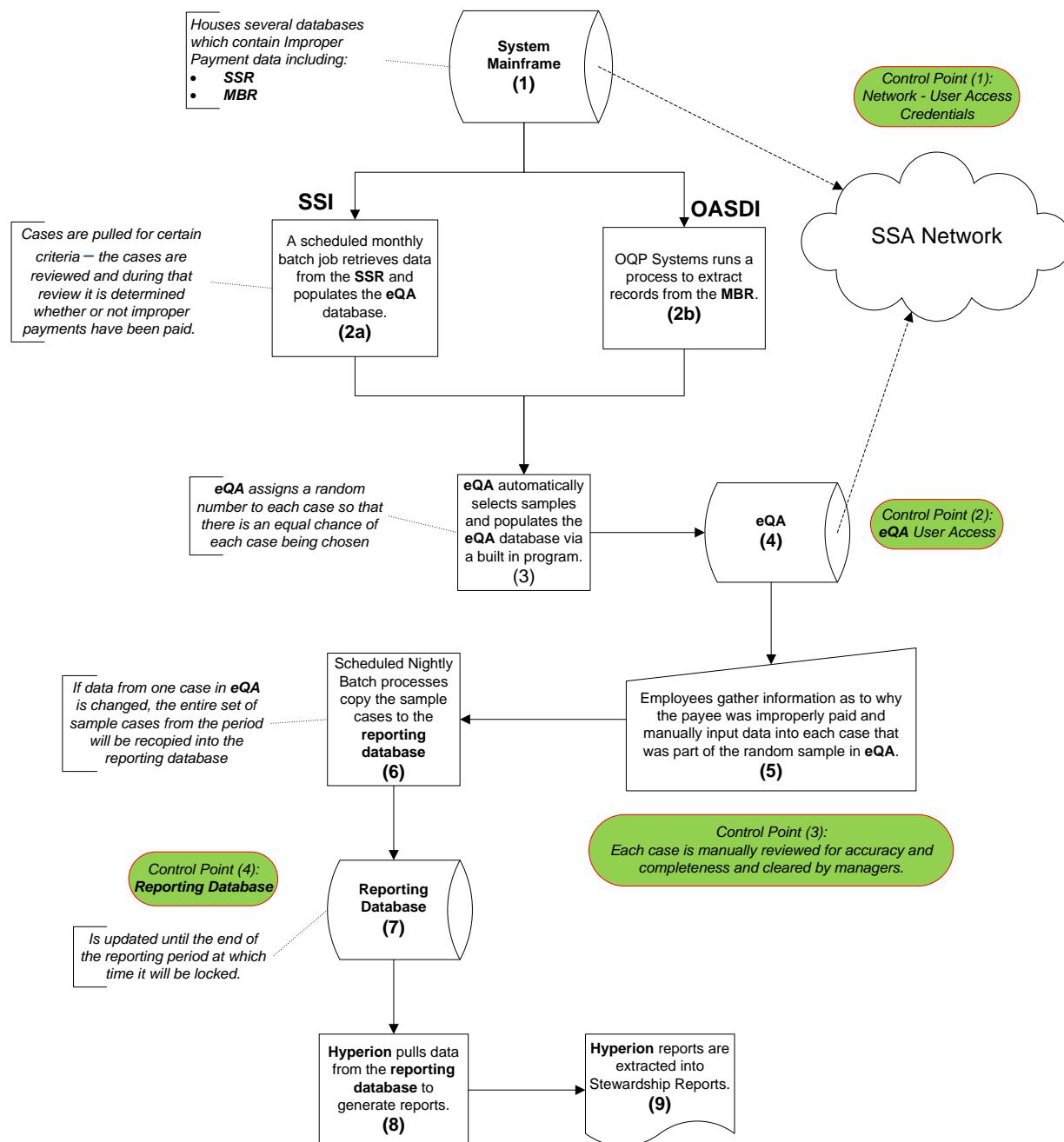
Appendix C

Flowchart and Process Narrative

Data Flow Diagram - Performance Measure 4.1c and 4.1d:

4.1c Percent of Supplemental Security Income payments free of overpayment (O/P) and underpayment (U/P) error.

4.1d Percent of Old-Age, Survivors, and Disability Insurance payments free of overpayment (O/P) and underpayment (U/P) error.



Process Narrative

1. The system mainframe houses several databases that contain Title II and XVI case data. Two of the databases are the Master Beneficiary (MBR) and Supplemental Security (SSR) Records, which house data for the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs, respectively.

Control Point 1 – Network User Access Credentials

2. A unique User Name and Password are required to access the SSA Network. Users must first authenticate themselves to the SSA Network by entering their unique user name and password at the Windows login screen.
3. Collecting Improper Payment data from mainframe databases:
 - a. SSA runs scheduled monthly SSI batch jobs for certain criteria to pull cases from the SSR to collect improper payment data. Office of Quality Performance (OQP) employees review these cases and determine whether an improper payment has been made.
 - b. For OASDI, OQP systems personnel run a process to extract records from the MBR. OQP employees review these cases and determine whether an improper payment has been made.
4. Electronic Quality Assurance (eQA) automatically selects samples via a program built into eQA. eQA assigns a random number to each case so there is an equal chance of each case being chosen and then selects a predetermined number of samples.
5. The selected cases are populated into the eQA database.

Control Point 2 – eQA User Access

- a. A Unique Username and Password are required to access eQA.
 - i. eQA uses the Internet and Intranet Enterprise Security Interface (iESI [web applications] /ESI [client server]) to authenticate users. The ESI is a security software application that synchronizes Local Area Network (LAN) Windows NT passwords with SSA Mainframe - Top Secret Passwords.
 - ii. There is no separate login screen for eQA. Login credentials automatically synchronize with the SSA Mainframe – Top Secret Passwords by ESI upon loading the eQA application.
 - iii. Access to eQA is limited to OQP employees.
- b. SSA approves user access to eQA. User access is role-based. Roles grant the user privileges to work within specified tabs of eQA. SSA maps roles to functional area by region.

- c. Employees are limited to view only a case for their respective region. The eQA Helpdesk eliminated the need for regional employees to have the Central Office SSI View role. Regional employees should now have the regional SSI Form View role.
- d. Regional administrators are able to change roles for employees in their region and view case information, but are not able to manipulate case information.
- e. Administrative access to eQA is restricted to the appropriate personnel. Reviewers have limited access within eQA. A few individuals from the Central Office are granted access to the “Administrator” tab that allows them to define studies.
- f. eQA user access is reviewed on an annual basis. The eQA Helpdesk performs annual access reviews to ensure appropriate access. The most sensitive roles are reviewed twice yearly while regional roles are reviewed annually. An audit trail of the following process is retained.
 - i. An email containing a list of users and roles is sent to each regional administrator.
 - ii. Each regional administrator reviews the list and responds to the Helpdesk to remove any users no longer requiring access to a specific eQA Program Role.
 - iii. The Helpdesk confirms the removal of access. Changes to employee roles are logged into eQA.

Control Point 3 - Each case is manually reviewed for accuracy and completeness and cleared by managers.

- 6. Employees gather information as to why a payee was improperly paid and manually input data into eQA for each case that was a part of the random sample. The following steps are taken to ensure that employees are accurately reviewing the cases:
 - a. A CADRE review (a review by a group of experts) is performed for 3 percent of cases. A CADRE review is performed after the consistency review and is used to ensure that cases are being accurately reviewed:
 - i. A predetermined percentage of cases are secretly flagged. Once cases are reviewed and cleared at the field office, the secretly flagged CADRE cases will be reviewed by OQP.
 - ii. Each case has predetermined logic and tasks that must be completed. These can be viewed in the “Tasks” tab of eQA.

- iii. If OQP identifies a deficiency, they send their “feedback” to the field office. Once they send the feedback, the information is sent to the Seattle Region for follow up with the field office to ensure the deficiency is resolved.
- 7. Scheduled nightly batch processes copy the sample cases to the reporting database. If data from one case in eQA is changed, the entire set of sample cases from the period will be recopied into the Reporting Database.
- 8. The Reporting Database is updated until the end of the reporting period when it will be locked.

Control Point 4 – Reporting Database

- a. At the end of the reporting period, the Reporting Database is locked, and case data can no longer be manipulated.
 - b. Only a few authorized individuals have the ability to unlock the reporting database after a reporting period has ended.
- 9. Oracle Enterprise Performance Management System (formerly Hyperion) reporting and analysis tool, pulls data from the reporting database to generate reports for the performance indicator.
 - 10. Oracle Enterprise Performance Management System reports are extracted into stewardship reports.

Agency Comments



MEMORANDUM

Date: February 15, 2012 Refer To: S1J-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Performance Indicator Audit: Improper Payments" (A-15-11-11197)—INFORMATION

Thank you for the opportunity to review the draft report. We agree with the report's findings/conclusions and have no additional comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Teresa Rojas at (410) 966-7284.

Attachment

DISTRIBUTION SCHEDULE

Commissioner of Social Security
Chairman and Ranking Member, Committee on Ways and Means
Chief of Staff, Committee on Ways and Means
Chairman and Ranking Minority Member, Subcommittee on Social Security
Majority and Minority Staff Director, Subcommittee on Social Security
Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives
Chairman and Ranking Minority Member, Committee on Oversight and Government Reform
Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations,
House of Representatives
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Committee on Finance
Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy
Chairman and Ranking Minority Member, Senate Special Committee on Aging
Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts investigations 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 liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Counsel to the Inspector General

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.