

*Audit Report*

The Social Security Administration's  
Compliance with the Improper  
Payments Elimination and Recovery  
Improvement Act of 2012 in the  
Fiscal Year 2016 Agency Financial  
Report

**MEMORANDUM**

**Date:** May 4, 2017 **Refer To:**

**To:** The Commissioner

**From:** Acting Inspector General

**Subject:** The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2016 Agency Financial Report (A-15-17-50255)

The attached final report presents the results of the Office of Audit's review. The objectives were to review the Improper Payments Information section in the Fiscal Year 2016 Agency Financial Report and determine whether the Social Security Administration met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012*. In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

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

  
Gale Stallworth Stone

Attachment

# The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2016 Agency Financial Report

## A-15-17-50255



May 2017

Office of Audit Report Summary

### Objective

To review the Improper Payments Information section in the Fiscal Year (FY) 2016 Agency Financial Report (AFR) and determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

### Background

On January 10, 2013, the President signed IPERIA into law. IPERIA amended the *Improper Payments Information Act of 2002* (IPIA) and the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). Both were created to prevent the loss of billions in taxpayer dollars. In October 2014, the Office of Management and Budget (OMB) issued Government-wide guidance on the implementation of IPIA, as amended by IPERA and IPERIA.

### Findings

In its FY 2016 AFR, SSA did not comply with all IPIA reporting requirements. Although the Agency met five IPIA criteria, it did not meet the reduction targets for Supplemental Security Income (SSI) and Old-Age, Survivors and Disability Insurance overpayments and SSI underpayments. The Agency accurately reported most improper payment information and produced a substantially complete report. We noted a few instances where the supporting documentation did not agree with statements made in the FY 2016 AFR or the Agency could not provide documentation.

We also noted that, for financial accounts and wage reporting, actual SSI deficiency dollars increased despite the implementation of Access to Financial Institutions and Supplemental Security Income Telephone Wage Reporting/Supplemental Security Income Mobile Wage Reporting, respectively. The Agency could not provide us data that measured the success of corrective actions because it was finalizing some of the metrics and developing others. SSA needs to develop analytical measurements to ensure a positive return on existing corrective action investments and further identify initiatives to reduce and recapture improper payments.

### Recommendations

We recommend SSA:

1. Develop systems to capture data that measure the effectiveness of existing corrective actions.
2. In accordance with OMB guidance, annually review its existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments.

SSA agreed with our recommendations.

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## **ABBREVIATIONS**

|             |   |
|-------------|---|
| AFI         | Access to Financial Institutions  |
| AFR         | Agency Financial Report   |
| BBA         | <i>Bipartisan Budget Act of 2015</i>                                      |
| FY          | Fiscal Year   |
| IPERA       | <i>Improper Payments Elimination and Recovery Act of 2010</i>             |
| IPERIA      | <i>Improper Payments Elimination and Recovery Improvement Act of 2012</i> |
| IPIA        | <i>Improper Payments Information Act of 2002</i>                          |
| OASDI       | Old-Age, Survivors and Disability Insurance                               |
| OIG         | Office of the Inspector General   |
| OMB         | Office of Management and Budget   |
| PAR         | Performance and Accountability Report                                     |
| Pub. L. No. | Public Law Number   |
| SSA         | Social Security Administration  |
| SSI         | Supplemental Security Income  |
| SSIMWR      | Supplemental Security Income Mobile Wage Reporting                        |
| SSITWR      | Supplemental Security Income Telephone Wage Reporting                     |
| Stat.       | United States Statutes at Large   |
| U.S.C.      | United States Code  |

## OBJECTIVES

Our objectives were to review the Improper Payments Information section in the Fiscal Year (FY) 2016 Agency Financial Report (AFR) and determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

## BACKGROUND

On January 10, 2013, the President signed IPERIA<sup>1</sup> into law. IPERIA amended the *Improper Payments Information Act of 2002* (IPIA)<sup>2</sup> and the *Improper Payments Elimination and Recovery Act of 2010* (IPERA),<sup>3</sup> which were created to prevent the loss of billions in taxpayer dollars. Although IPERIA amends the two previous Acts, the authorizing legislation is still named IPIA (as such, we refer to IPIA throughout the report).

In October 2014, the Office of Management and Budget (OMB) issued Government-wide guidance on the implementation of IPIA, as amended by IPERA and IPERIA.<sup>4</sup> We reviewed SSA's compliance according to this guidance.

Under IPIA, agencies shall identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Director of OMB.<sup>5</sup> Beginning with FY 2014 reporting, OMB guidance defines significant improper payments as \$10 million of all program or activity payments made during the FY reported and 1.5 percent of program outlays or \$100 million.<sup>6</sup> For each program and activity identified, the agency is required to use an OMB-approved estimate methodology to produce a statistically valid estimate of the improper payments and include those estimates in the materials that accompany the agency's annual financial statements.<sup>7</sup>

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<sup>1</sup> *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248, 126 Stat. 2390 (2013).

<sup>2</sup> *Improper Payments Information Act of 2002*, Pub. L. No. 107-300, 116 Stat. 2350 (2002).

<sup>3</sup> *Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204, 124 Stat. 2224 (2010).

<sup>4</sup> OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123, M-16-17, Appendix C, Parts I, II and III (2014). Appendix C implements requirements from (1) IPIA, as amended; (2) IPERA; (3) IPERIA; and (4) Executive Order No. 13520 *Reducing Improper Payments* (2009).

<sup>5</sup> OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123, Appendix C, Part I, *Improper Payments Elimination and Recovery*, section (A)(9), p. 9 (2014).

<sup>6</sup> See Footnote 5, section (A)(9) Step 1 (a), p. 9.

<sup>7</sup> See Footnote 5, section (A)(9) Step 2, p. 11.

The agency is required to prepare a report on actions it has taken or plans to take to recover improper payments and intends to take to prevent future improper payments for programs or activities with estimated improper payments.<sup>8</sup> OMB Circular A-136<sup>9</sup> outlines the information agencies are required to include in their annual AFRs or Performance and Accountability Reports (PAR) regarding improper payment estimates, reduction targets, root causes, corrective actions, etc.<sup>10</sup> Among other things, the report must describe the

- risk assessment performed and those programs identified as a significant risk for improper payments;<sup>11</sup>
- statistical sampling process conducted to estimate the improper payment rate for each program;<sup>12</sup> and
- corrective action plans for reducing the estimated improper payment rate and amount for each type of root cause identified.<sup>13</sup>

In addition, the agency is required to report all actions it has taken to recover improper payments identified in recovery audits required by IPIA,<sup>14</sup> including

- the methods used to recover overpayments;
- the amounts recovered, outstanding, and determined uncollectable;
- a justification for determining overpayments are not collectable;
- an aging schedule of the outstanding amounts;
- a summary of the disposal of recovered amounts; and
- a discussion of any conditions that give rise to improper payments and how those conditions are being resolved.<sup>15</sup>

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<sup>8</sup> *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248 § 3(a)(2), 126 Stat. 2390, p. 2391 (2013) (codified at 31 U.S.C. § 3321 note).

<sup>9</sup> OMB, *Financial Reporting Requirements*, Circular A-136 Revised, II.5.8, pp. 143-156 (2016).

<sup>10</sup> See Footnote 5, section (A)(9) Step 4(b), p. 16.

<sup>11</sup> See Footnote 9, section II.5.8 I, p. 143.

<sup>12</sup> See Footnote 9, sections II.5.8 I-II, pp. 143-144.

<sup>13</sup> See Footnote 9, section II.5.8 V, p. 148.

<sup>14</sup> IPIA generally requires that recovery audits be conducted, unless prohibited by law, for each program and activity of an agency that expends \$1 million or more annually if conducting such audits would be cost-effective. *Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204 § 2(h), 124 Stat. 2224, pp. 2228-2229 (2010).

<sup>15</sup> See Footnote 9, section II.5.8 X, p. 150.

The agency is also required to justify programs or activities it excluded from review, including programs or activities where the agency determined it would not be cost-effective to conduct recovery audits.<sup>16</sup>

## Responsibilities of the Agencies' Inspectors General

OMB guidance specifies that each agency's Inspector General should review improper payment reporting in its annual AFR or PAR and accompanying information to determine whether it complied with IPIA.

According to OMB guidance, compliance with IPIA means the agency has

- published an AFR or PAR for the most recent FY and posted that report and any OMB-required accompanying materials to the agency's Website;
- conducted a program-specific risk assessment for each program or activity that conforms with section 3321 note of Title 31 U.S.C. (if required);
- published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- published programmatic corrective action plans in the AFR or PAR (if required);
- published, and met,<sup>17</sup> annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.<sup>18</sup>

If an agency does not meet one or more of these requirements, it is not compliant with IPIA.<sup>19</sup> The agency's Inspector General may also evaluate the accuracy and completeness of agency reporting and performance in reducing and recapturing improper payments.<sup>20</sup> See Appendix A for our scope and methodology.

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<sup>16</sup> See Footnote 9, section II.5.8 X(b), p. 150.

<sup>17</sup> A program has met a reduction target if the improper payment rate for that program in the current year falls within plus or minus 0.1 percentage points of the reduction target set in the previous year's AFR or PAR.

<sup>18</sup> OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123, Appendix C, Part II, *Compliance with the Improper Payment Requirements*, § (A)(3) (2014). As previously noted, IPERIA amended IPIA and IPERA.

<sup>19</sup> See Footnote 18.

<sup>20</sup> See Footnote 18, § (A)(4).

## **RESULTS OF REVIEW**

SSA produced a substantially complete report. However, SSA did not fully comply with the IPIA reporting requirements. Additionally, although SSA accurately reported most improper payment information, it could not provide all supporting documentation. SSA also needs to develop measurements to ensure a positive return on corrective action investments and further identify other initiatives to reduce and recapture improper payments.

### **Compliance with IPIA**

SSA uses stewardship review data, which are a statistically valid sample of Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) cases, to determine payment accuracy rates and provide the data necessary to meet IPIA reporting requirements. Data reported in the FY 2016 AFR were for cases sampled in FY 2015.<sup>21</sup> In FY 2016, SSA did not meet its reduction targets for SSI and OASDI overpayments, and SSI underpayments, as required by IPIA.<sup>22</sup> Although SSA complied with the remaining five criteria, OMB guidance requires that the Agency meet all requirements to be compliant with IPIA. As such, we concluded that SSA had not fully complied with IPIA. In Appendix B, we summarize the OMB guidance and reporting requirement with which SSA did not comply, our observations, and the Agency's response.

While SSA has implemented several programs to reduce improper SSI and OASDI payments, it does not have metrics to determine the success of these initiatives. SSA should develop such measures and continue focusing resources on corrective actions that will help meet the OMB-approved reduction targets.

### **Accuracy and Completeness of IPIA Reporting**

SSA provided documentation to support most of the figures in its FY 2016 AFR.<sup>23</sup> However, we noted a few instances where the supporting documentation did not agree with statements in the FY 2016 AFR or the Agency could not provide documentation. For example, SSA could not provide documentation to support the number of SSI recipients contacted through the Veteran's Pension Referral initiative who are now receiving veteran's benefits or compensation. In addition, the error amount SSA reported for overpayments caused by unreported wages was incorrect based on the supporting documentation SSA provided. The AFR reported \$592.2 million; however, supporting documentation indicated this amount should have been \$590.6 million. Also, the AFR reported \$274.5 billion in payments to SSI recipients from FYs 2011 to 2015; however, supporting documentation indicated this amount should have been

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<sup>21</sup> SSA will not have FY 2016 data until April 2017.

<sup>22</sup> SSA, *Agency Financial Report Fiscal Year 2016: Improper Payments Information Detailed Report*, pp. 175 and 177 (2016).

<sup>23</sup> OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123, Appendix C, Part II, *Compliance with the Improper Payment Requirements*, § (A)(4), p. 40 (2014).

\$273.5 billion. Each year, as the Agency constructs this report, it should retain all supporting documentation to ensure the accuracy of amounts and assist with future reviews.

## Performance in Reducing and Recapturing Improper Payments

We believe the Agency's corrective action plans were focused on the appropriate root causes and recapturing improper payments. However, the Agency could not provide us data that measured the success of corrective actions because it was finalizing some of the metrics and still developing others. When evaluating SSA's performance in reducing and recapturing improper payments, we reviewed our prior reports and corresponding recommendations. We also reviewed the change in deficiency dollars<sup>24</sup> the Agency reported in the IPIA section of the AFR in relation to implemented corrective actions.

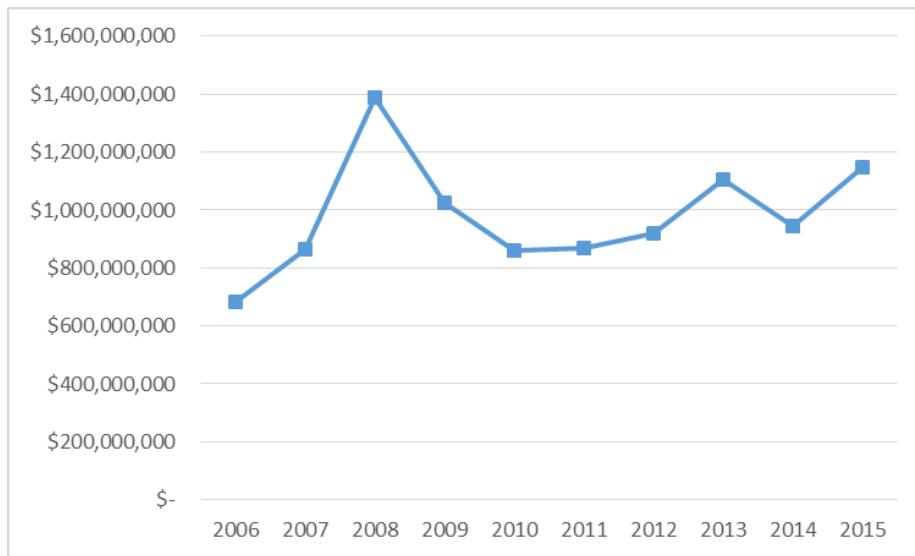
### *Agency Performance*

SSA identified the major causes of OASDI and SSI improper payments in its IPIA reporting. For each major cause, the Agency developed corrective action plans. As reported in prior years, the leading causes of overpayments in the SSI program were financial accounts and wages. SSA implemented the Access to Financial Institutions (AFI) program nationwide in June 2011, and it continued to be the only corrective action reported by the Agency that was focused on reducing improper payments related to financial accounts. According to the AFR, based on an evaluation in the first quarter of FY 2016, the Agency recommended it would not be the most efficient use of limited program integrity resources to conduct additional AFI searches or make any additional changes to the process at this time. As shown in Figure 1, SSA's overpayment deficiency dollars related to financial accounts decreased from a high of nearly \$1.4 billion in FY 2008; however, from 2014 to 2015, the dollar amount rose from \$946.2 million to \$1.1 billion.

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<sup>24</sup> See Footnote 22, p. 171. Some stewardship cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency.

**Figure 1: Financial Account Overpayment Deficiency Dollars  
(FYs 2006 Through 2015)**



Although the Agency has stated that year-to-year differences in SSI improper payments are not statistically significant, financial accounts continue to be the leading cause of SSI overpayment errors.<sup>25</sup> SSA analyzed the current AFI business process to determine the amount of prevented or detected improper payments. These data are preliminary, and SSA intends to review them before it shares them. In addition to monitoring the AFI program, the Agency needs to identify other initiatives to reduce overpayments related to financial accounts.

Another major cause of improper payments for the SSI program was wage reporting. According to the AFR, for longer than a decade, wage discrepancies had been one of the leading causes of over- and underpayments.<sup>26</sup> Wage discrepancies occur when the recipient's actual wages differ from the wage amount used to calculate the SSI payment. In FY 2008, the Agency implemented the SSI Telephone Wage Reporting (SSITWR) System to allow recipients, representative payees, and deemors<sup>27</sup> to report prior monthly gross wages via an automated telephone system. In addition, SSA rolled out SSI Mobile Wage Reporting (SSIMWR) nationally on August 1, 2013 to allow individuals to report wages through a smartphone application. Although the number of successful wage reports SSI recipients submit using the automated SSI wage reporting systems increased, the error dollars related to wages increased the prior 2 years, as shown in Figure 2.

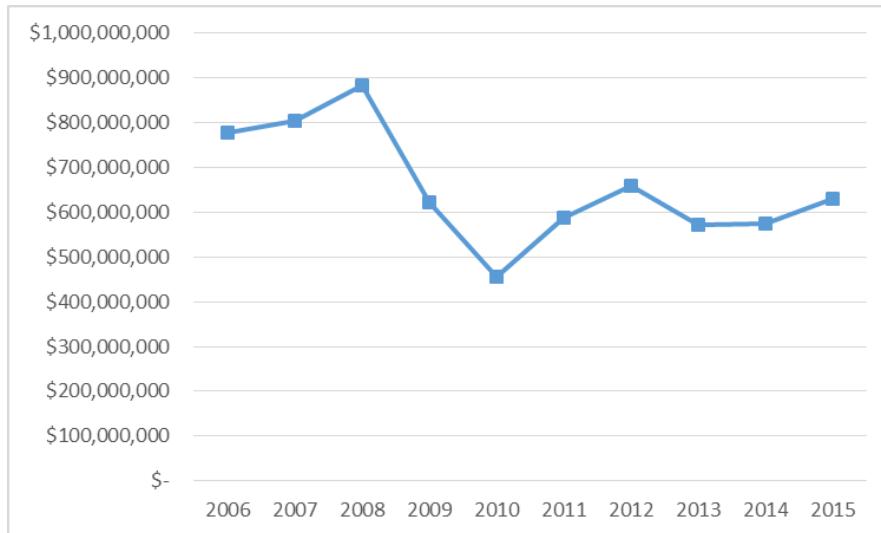
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<sup>25</sup> See Footnote 22, p. 191.

<sup>26</sup> See Footnote 22, pp. 192-193.

<sup>27</sup> A deemor is generally the ineligible parent or spouse of the individual who is eligible for (or receiving) SSI. See <https://www.ssa.gov/disabilityssi/df-deemor.html>.

**Figure 2: Wages Overpayment Deficiency Dollars  
(FYs 2006 Through 2015)**



In its response on our report on SSA's FY 2015 IPIA compliance,<sup>28</sup> SSA noted that, while it was working with internal stakeholders, it had identified a set of business questions to better determine the effectiveness of key improper payment initiatives, including SSITWR and SSIMWR. The Agency hoped to use data analytics to identify additional data and point to other metrics that better measure the impact of its initiatives. Because error dollars related to wages have continued increasing, we followed up with the Agency to determine whether the impact of SSITWR/SSIMWR had been determined with the use of data analytics. The Agency responded,

We have not yet developed data analytics to measure the impact of SSITWR/SSIMWR. Rather, we have focused our resources on implementing sections 824 and 826 of the *Bipartisan Budget Act of 2015 [BBA]*,<sup>29</sup> which will allow us to respectively engage in direct data matches with aggregate payroll providers and launch online reporting for DI and SSI beneficiaries. In particular, as we implement BBA 824 and change our business model from self-reporting to obtaining wage data directly from payroll providers, we believe we can significantly reduce improper payments due to work and earnings.

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<sup>28</sup> SSA, OIG, *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2015 Agency Financial Report*, A-15-16-50133, (May 2016).

<sup>29</sup> *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74 § 824, 129 Stat. 584, p. 607 (2015).

According to the AFR, SSA's target completion date for final implementation of section 824 is November 2017. SSA is also establishing unique identifiers in its systems, which will indicate wages received from a payroll data provider. Since SSA reports its improper payment information 1 FY behind the AFR, it may take several years to determine the effectiveness of this initiative.<sup>30</sup>

In addition, our report of SSA's FY 2015 IPIA compliance noted that the Windfall Elimination Provision<sup>31</sup> and Government Pension Offset<sup>32</sup> errors caused the large increase in OASDI overpayment error dollars from FYs 2013 to 2014. Because of this large increase, the Agency created an inter-component workgroup to address problems associated with these provisions. The workgroup is pursuing new data through data exchanges related to pension information, enhancing automation for case processing, clarifying policy, and developing refresher training targeted at Windfall Elimination Provision and Government Pension Offset case processing.

The Agency should continue identifying initiatives that would reduce improper payments and determine whether the initiatives in place have a positive effect on improper payments.

## Risk and Oversight Assessed by the Office of the Inspector General

To evaluate the Agency's assessment of the level of risk and the quality of the improper payment estimates and methodology, we reviewed audit work conducted by KPMG, LLP as part of its audit opinion of SSA's FY 2016 financial statements. Its review analyzed the statistical sampling methods and extrapolation procedures SSA employed to generate payment accuracy estimates, as reported in SSA's annual stewardship reviews. SSA uses the results of the stewardship reviews, in part, to annually populate the *Improper Payments Information Detailed Report* in the AFR. Each month, SSA reviews a statistically valid sample of cases to determine payment accuracy. KPMG concluded that the statistical sampling methods and error extrapolation procedures SSA used in calculating OASDI and SSI improper payment rates were reasonable.

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<sup>30</sup> See Footnote 21.

<sup>31</sup> The Windfall Elimination Provision can affect a beneficiary when he/she earns a retirement or disability pension from an employer who did not withhold Social Security taxes and he/she qualifies for Social Security retirement or disability benefits from work in other jobs for which he/she did pay Social Security taxes. SSA, *Windfall Elimination Provision*, 05-10045, (January 2017).

<sup>32</sup> When a beneficiary receives a retirement or disability pension from a Federal, State, or local government based on his/her own work for which he/she did not pay Social Security taxes, SSA may reduce his/her Social Security spouses' or widows' or widowers' benefits. SSA, *Government Pension Offset*, 05-10007, (January 2017).

We continue overseeing the SSI and OASDI programs through various audits and evaluations. From October 2015 through September 2016, we issued 79 reports that identified nearly \$1 billion in questioned costs and over \$300 million in Federal funds that could be put to better use. A number of these reports focused on the SSA management challenge to reduce improper payments.<sup>33</sup> See Appendix C for our reports on reducing improper payments and increasing overpayment recoveries, issued during FY 2016.

## CONCLUSIONS

In its FY 2016 AFR, SSA did not comply with all IPIA reporting requirements. Although the Agency met five IPIA criteria, it did not meet the reduction targets for SSI and OASDI overpayments and SSI underpayments, as required by IPIA. The Agency reported most improper payment information accurately and produced a substantially complete report. We noted a few instances where the supporting documentation did not agree with statements made in the FY 2016 AFR or the Agency could not provide documentation.

While evaluating the Agency's performance in reducing and recapturing improper payments, we analyzed the average and actual deficiency dollars reported for major causes where SSA had implemented corrective actions. We noted that, for financial accounts and wage reporting, actual SSI deficiency dollars increased despite the implementation of AFI and SSITWR/SSIMWR, respectively. The Agency could not provide us data that measured the success of corrective actions because it was finalizing some of the metrics and still developing others. SSA needs to develop analytical measurements to ensure a positive return on existing corrective action investments and further identify other initiatives to reduce and recapture improper payments.

## RECOMMENDATIONS

Based on our review, we recommend SSA:

1. Develop systems to capture data that measure the effectiveness of existing corrective actions.
2. In accordance with OMB guidance, annually review its existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments.

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<sup>33</sup> We completed a review of *The Social Security Administration's Use of Hurricane Sandy Relief Funds, A-15-14-14040*, (2015) to determine whether SSA appropriately used Hurricane Sandy Relief Funds under *The Disaster Relief Appropriations Act, 2013, Pub. L. No. 113-2, 127 Stat. 4* (2013).

## AGENCY COMMENTS

SSA agreed with our recommendations; see Appendix D.

for

Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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To accomplish our objectives, we:

- Reviewed the *Management’s Discussion and Analysis and Improper Payments Information Detailed Report* in the Social Security Administration’s (SSA) Fiscal Year (FY) 2016 Agency Financial Report (AFR) to ensure compliance with all requirements of the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* and the *Improper Payments Elimination and Recovery Improvement Act of 2012*.
- Reviewed applicable Federal laws and regulations, Office of Management and Budget guidance, and SSA’s Program Operations Manual System.
- Requested source data from the Office of Budget, Finance, Quality, and Management to support the figures in the AFR.
- Analyzed the source data to ensure the accuracy and completeness of all figures.

We determined the computerized data used during our audit were sufficiently reliable given our objectives, and the intended use of the data should not lead to incorrect or unintentional conclusions.

We conducted our audit from November 2016 through March 2017 in Baltimore, Maryland. The primary entity audited was the Office of Budget, Finance, Quality, and Management. 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.

SSA did not report any payments made under *The Disaster Relief Appropriations Act, 2013*<sup>1</sup> in FY 2016. Therefore, we did not review the six requirements from Section 3 of IPERA as they related to *Disaster Relief Appropriations Act* funds.

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<sup>1</sup> *Disaster Relief Appropriation Act, 2013*, Pub. L. No. 113-2, 127 Stat. 4 (2013).

## Appendix B – OFFICE OF MANAGEMENT AND BUDGET GUIDANCE

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| Office of Management and Budget (OMB) Guidance   | Office of the Inspector General (OIG) Observation  | Agency Response  |
|--|--|--|
| An agency has published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments. A program will have met a reduction target if the improper payment rate for that program in the current year falls within +/- 0.1 percentage points of the reduction target set in the previous year's Agency Financial Report (AFR) or Performance and Accountability Report. <sup>1</sup> | <p>1. In the Social Security Administration's (SSA) Fiscal Year (FY) 2015 AFR, the target rate for Old-Age, Survivors and Disability Insurance (OASDI) overpayments was 0.20 percent. In the FY 2016 AFR, the estimated OASDI overpayment rate was 0.36 percent, which did not meet guidance requirements.</p> <p>2. In SSA's FY 2015 AFR, the target rate for Supplemental Security Income (SSI) underpayments was 1.20 percent. In the FY 2016 AFR, the estimated SSI underpayment rate was 1.36 percent, which did not meet guidance requirements.</p> <p>3. In SSA's FY 2015 AFR, the target rate for SSI overpayments was 5 percent. In the FY 2016 AFR, the estimated SSI overpayment rate was 6.06 percent, which did not meet guidance requirements.</p> | <p>OMB determines the payment accuracy target for OASDI and SSI overpayments and underpayments. For FY 2015, each tenth of a percentage point in payment accuracy represents about \$854 million in OASDI program outlays and \$56.6 million in SSI program outlays.</p> <p>Given limited resources, SSA tries to balance program integrity work with other agency priorities. The Agency plans to work with OMB over the coming year to develop targets for the FY 2018 and FY 2019 Agency Priority Goal to reduce SSI payment error.</p> |

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<sup>1</sup> OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, Circular A-123, Appendix C, Part II, *Compliance with the Improper Payment Requirements*, § (A)(3)(e) (2014).

## **Appendix C – FISCAL YEAR 2016 OFFICE OF THE INSPECTOR GENERAL REPORTS**

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The following Office of the Inspector General reports related to reducing improper payments and increasing overpayment recoveries.

- *Using Medical Claim Data to Identify Aged Title XVI Recipients Who Are Deceased*, A-08-14-24122, (September 2016).
- *Old-Age, Survivors and Disability Insurance Benefits Affected by Federal Pensions*, A-13-16-23006, (September 2016).
- *Numident Death Information Not Included on the Death Master File*, A-06-16-50069, (September 2016).
- *Accuracy of the Social Security Administration's Manual Billing Process to Collect Medicare Premiums*, A-07-16-50135, (September 2016).
- *Office of Personnel Management Deaths Not in the Social Security Administration's Systems*, A-01-13-23032, (August 2016).
- *Payments to Individuals Incarcerated in Texas Department of Criminal Justice Facilities*, A-06-15-50017, (August 2016).
- *Title II Spousal or Widow(er) Beneficiaries Whose Unreported Marriages Caused Improper Title XVI Payments*, A-07-16-50018, (July 2016).
- *Recovering Title II Overpayments Made to Childhood Beneficiaries*, A-04-16-50110, (July 2016).
- *Supplemental Security Income Recipients Eligible for, or Receiving, Pensions from China*, A-01-16-50011, (June 2016).
- *Collecting Title II Overpayments from Contingently Liable Beneficiaries*, A-07-16-50089, (April 2016).
- *Manually Posted Supplemental Security Income Overpayments to Surviving Spouses*, A-13-14-14058, (April 2016).
- *Underpayments Payable to Widow(er)s Eligible for a Higher Monthly Benefit Amount*, A-09-14-34103, (April 2016).
- *Social Security Administration's Compliance with the Martinez Fugitive Settlement*, A-01-16-50073, (March 2016).
- *Old-Age, Survivors and Disability Insurance Benefits Withheld Pending a Windfall Offset Determination*, A-09-15-15041, (March 2016).
- *Higher Retirement Benefits Payable to Families of Disabled Beneficiaries*, A-09-14-34080, (February 2016).

## **Appendix D – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

Date: April 21, 2017 Refer To: S1J-3

To: Rona Lawson  
Assistant Inspector General for Audit

From: Stephanie Hall/s/  
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “The Social Security Administration’s Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2016 Agency Financial Report” (A-15-17-50255)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“THE SOCIAL SECURITY ADMINISTRATION’S COMPLIANCE WITH THE  
IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT  
OF 2012 IN THE FISCAL YEAR 2016 AGENCY FINANCIAL REPORT”  
(A-15-17-50255)**

**GENERAL COMMENTS**

As good stewards of our resources and taxpayer funds, we will remain focused on the integrity of our programs, including minimizing improper payments. Our strategies include efforts to prevent and reduce improper payments, increase overpayment recovery, and analyze information and data to identify and address error-prone actions. In addition, we will make greater use of the information and data we have to help us identify fraud and improper payments. We will continue to explore additional use of information from other sources, both from other agencies as well as from the private sector, to ensure we pay all beneficiaries correctly.

**Recommendation 1**

Develop systems to capture data that measures the effectiveness of existing corrective actions.

**Response**

We agree.

**Recommendation 2**

In accordance with OMB guidance, annually review its existing corrective actions to determine whether an action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments.

**Response**

We agree.

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