
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SOCIAL SECURITY
ADMINISTRATION
EMPLOYEES WITH TITLE XVI
OVERPAYMENT WRITE-OFFS**

September 2002

A-04-99-64005

***MANAGEMENT
ADVISORY REPORT***



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the 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:

- 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.**

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- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
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By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: September 12, 2002

Refer To:

To: The Commissioner

From: Inspector General

Subject: Management Advisory Report – Social Security Administration Employees With Title XVI Overpayment Write-offs (A-04-99-64005)

OBJECTIVE

The objective of this review was to determine whether the Social Security Administration (SSA) identified and properly resolved its employees' title XVI write-offs from overpayment debts. Additionally, we determined whether SSA should implement additional controls to prevent SSA employees from avoiding their Federal debt obligations.

BACKGROUND

Title XVI of the Social Security Act established the Supplemental Security Income (SSI) program to provide income to financially needy individuals who are aged, blind or disabled. The amount of SSI payments can be affected by changes in the beneficiary's¹ earned income, marital status and living arrangements. These changes cause over and underpayments when they are not reported. SSA can rectify underpayments and some overpayments; however, many overpayments go uncollected and are written-off. In Fiscal Year (FY) 2001, SSA wrote off \$941.3 million in title XVI and title II program overpayments.²

Debt Collection Authorities

The Deficit Reduction Act of 1984 (Public Law 98-369) permits SSA to recover delinquent title XVI overpayments from former beneficiaries using a Federal tax refund offset. The Omnibus Budget Reconciliation Act of 1990 (P.L. 101-508) gave SSA temporary authority for title II tax refund offsets with permanent authority granted in

¹ For the purpose of this report, the term "beneficiary" is used generically for both title II and title XVI recipients.

² \$584.9 million in title XVI program overpayments and \$356.4 million in title II overpayments.

1992 under the Unemployment Compensation Act (P.L. 102-318). In 1994 and 1996,³ Congress greatly expanded SSA's title II debt collection authority to allow offset of other Federal payments made to beneficiaries. Through the Department of Treasury (Treasury) Offset Program, in addition to Federal tax refund offsets, SSA can apply salary and administrative offsets against other Federal payments (for example, travel reimbursements) to collect an outstanding debt. Congress also gave SSA permission to notify credit bureaus of an individual's indebtedness, use private collection agencies, and charge interest on outstanding title II debt. Following a General Accounting Office testimony and report in 1998, SSA pursued legislation to include similar authorities for title XVI indebtedness. However, Congress did not grant SSA identical authorities for title XVI overpayment recoveries until 1999 under the Foster Care Independence Act (P.L. 106-169).

Overpayment Collection and Write-off

When SSA detects that it has overpaid a beneficiary, its emphasis is on recovering the money from the individual. SSA first attempts full and immediate recovery. If that fails, SSA will apply the overpayment against future benefits within statutory limits. If the debtor is not receiving SSA benefits, the Agency will attempt to negotiate a repayment agreement. If unsuccessful, SSA should attempt recovery through the Treasury Offset Program. However, as described in Table 1, in some instances, SSA may be unsuccessful in collecting these overpayments and will write off the debt as collectible (D) or uncollectible (N). In other instances, a beneficiary may request and be granted a waiver (W) when SSA determines that specific criteria are met. Depending on the debtor's situation, the amount of the debt, and its pending resolution, SSA places the title XVI debt write-off into one of the following categories.

Write-off Category	Write-off Code	Trans-action Code	Definition
Collectible	D	B	Unwilling or unable to pay
	D	M	Out of country or unable to locate
Uncollectible	N	(blank)	Uncollectible due to death, bankruptcy or presumptive disability
	N	Y	Uncollectible based on a compromise settlement
	N	A	System applied administrative uncollectible or unresolved overpayment less than \$200
	N	B	System applied administrative uncollectible or unresolved overpayment less than \$30
Waiver	W	(blank)	Authorized waiver

³ Social Security Domestic Employment Reform Act (P.L. 103-387) and Debt Collection Improvement Act (P.L. 104-134), respectively.

Although written-off by SSA, those deemed “collectible” (D) are subject to further collection actions. SSA does not pursue amounts coded as uncollectible (N) or waived (W). In the case of system applied administrative uncollectibles, the amounts could be collected from new employees or beneficiaries who return to current pay status. In the case of bankruptcy, SSA’s practice is to write-off any outstanding overpayments when officially notified that a debtor filed a bankruptcy petition. However, SSA is still obligated to determine if the court officially discharges the debt. If the court dismisses the bankruptcy petition, SSA should reinstate the overpayment and pursue collection.

SSA maintains a steady workforce of about 65,000 employees. On the day of appointment, SSA’s policy is to ask employees to sign a Declaration for Federal Employment statement.⁴ This declaration asks, among other questions, whether the employee is delinquent on any Federal debt. These debts would include any overpayments arising from Social Security benefit payments. If the response is positive, the employee is instructed to provide a written explanation. If the response is negative, SSA does not initiate independent action to verify the response’s accuracy.

SSA principally relies on the prospective employee to self-disclose delinquent Federal debts, including SSA debts. SSA does not routinely cross check its own records to identify outstanding debt or determine whether a new employee may also be collecting title II or XVI benefits that will be affected by SSA earned income. If not considered, the employee’s Disability Insurance (DI) or SSI benefits could be overpaid. Without adequate controls in place, program funds may be lost because SSA will be unaware of employees with prior overpayments or fail to take adequate actions to prevent or minimize overpayments from SSA employment.

SCOPE AND METHODOLOGY

We performed this review to determine whether current and former SSA employees could be the source of title XVI overpayment debt written off from October 1, 1992 to February 4, 2000. To identify employees, we worked with SSA to perform a match between a data file SSA had previously provided of title XVI overpayment debt written off and the Human Resource Management Information System (HRMIS), which contained all active and separated employees since October 1, 1992, over 110,000 employee records. From this match, we identified 677 write-offs, totaling \$372,135, belonging to 357 current and former employees.⁵ Included in the write-off totals were 145 waivers worth \$80,137 granted prior to employment. Assuming that the 145 waivers were properly determined and uncollectible at employment, we excluded them from our analysis and the reported results. The remaining 532 write-offs, totaling \$291,998, belonged to 308 current and former employees and ranged in value from \$.01 to \$12,369.⁶ The employed debtors served in a variety of positions located around the country.

⁴ Office of Personnel Management, Optional Form 306.

⁵ Appendix A.

⁶ Appendix B.

Current employees include individuals on leave without pay and seasonal furlough employees. Former employees officially resigned from SSA or were terminated by the Agency after extended leave without pay. We reviewed 12 (10 current and 2 former) employees to determine the basis for their overpayments and the justification for writing off the unpaid amounts.

Of the 12 employees reviewed, 10 were chosen from a list of the top 40 employees having a single overpayment write-off greater than \$1,000 and total overpayments written-off exceeding \$2,000. The list had a mix of DB (unwilling or unable to pay), DM (out of the country or unable to locate), and N (uncollectible due to bankruptcy) write-off codes. These write-offs were of specific concern because the overpayments are subject to further SSA collection. In addition, we selected two other employees who received waivers while employed at SSA. We selected one waiver over \$2,000 and the other between \$500 and \$1,000. We reviewed these employees' write-offs to provide actual examples and scenarios of specific employee overpayments that were written off.

We performed this review from January 2001 through March 2002. Our review included an evaluation of existing controls, policies and procedures specifically related to title XVI write-offs and SSA employees. However, we did not determine the overall reliability of title XVI write-off and HRMIS data files or evaluate internal controls over those systems. We matched data SSA previously provided on title XVI write-offs against employee information contained in HRMIS to identify current and former employees with title XVI write-offs in our data file. During our review of employee title XVI write-offs, if title II write-offs were also identified, we expanded our review to explore the justification for these additional charges. Also, we explored SSA's progress in enacting the statutory requirement to offset wages when Federal employees are delinquent on SSA debt. Our findings include any control weaknesses identified and recommendations to correct the deficiencies, where appropriate. We performed our review in Baltimore, Maryland, and Atlanta, Georgia. Because we limited the scope of our review by not assessing the reliability of SSA's data bases or reviewing all controls related to overpayment write-offs, we did not apply generally accepted auditing standards in performing this assignment. The SSA entities reviewed were the Offices of Operations; Human Resources; and Finance, Assessment and Management.

RESULTS OF REVIEW

From a data file of title XVI overpayments written off from October 1, 1992 to February 4, 2000, we identified 532 write-offs totaling \$291,998 belonging to 308 current and past SSA employees.⁷ These write-offs occurred before, during and after SSA employment. If SSA had taken appropriate steps during the employment process, it could have identified outstanding Social Security debts and prevented additional debt. Once identified, SSA could have used its status as an employer to collect the outstanding title XVI and title II debts that were previously written off. Further, SSA could have prevented other title XVI and title II overpayments and

⁷ As of December 2000, this figure represented 134 current and 174 former SSA employees.

subsequent write-offs if it had considered the impact of future SSA wages on current benefits paid to new employees. Finally, if SSA had participated in the annual Government-wide employee match to identify Federal employees indebted to SSA, it would have had an added opportunity to identify both SSA and other Federal employees with delinquent SSA debts.

HIRING EMPLOYEES WITH OVERPAYMENT WRITE-OFFS

SSA hired employees with outstanding title XVI overpayment debt write-offs that remained undetected during the employment process. For 103 of the 308 SSA employees, the outstanding title XVI write-off existed at the time of employment. This included all write-offs designated as collectible or uncollectible that could have been collected when these individuals became employed with SSA. SSA requires new employees to sign a Declaration for Federal Employment statement certifying whether the individual is delinquent on any Federal debt. For our review of 12 employees, SSA could only locate 11 Declarations. Comparing the information in the applicable case file against each employee's Declaration, we determined that 4 of the 11 employees accurately classified their Federal debt at the time of employment. The remaining seven employees certified they had no outstanding Federal obligations when, in fact, they had an outstanding debt owed to Social Security. If SSA had performed a search of its own data, the Agency would have determined that title XVI debt existed and was considered collectible.

For example, SSA notified one beneficiary of \$17,231 in title XVI overpayments that occurred 2 years or more before SSA employed the individual. SSA wrote-off the overpayments because the beneficiary was unwilling or unable to pay the debt, and SSA had unsuccessfully attempted to obtain a repayment agreement. Therefore, in May 2000, the Agency requested that Treasury collect the overpayment using a Federal tax refund offset. SSA collected \$3,689 through tax refund offsets—one prior to and two during his SSA employment. SSA hired the individual in October 2000, and he was still employed as of March 2002. Over this 17-month period, the tax refund offset remained in place, but SSA did not use any additional leverage to negotiate and enforce a realistic repayment agreement. The SSA employee still owes the Agency \$13,542.

In February 1997, SSA hired another beneficiary as a retired Federal annuitant. SSA could not locate this employee's Declaration for Federal Employment statement. However, before employing the individual, SSA wrote-off \$7,496 in title XVI debt. SSA's justification for the write-off was that the beneficiary could not be located or was out of the country. Subsequently, SSA's Debt Management Section did not become aware that the beneficiary became employed with the Agency. No evidence existed indicating the Agency contacted the employee to resolve the debt. In fact, the \$7,496 debt write-off remained unchanged during the individual's employment at SSA, which ended in September 1998. This beneficiary continues to owe SSA \$7,496. If SSA had checked its own records at the time of employment, this outstanding debt would have been identified, and steps could have been taken to collect the debt.

A third beneficiary had a \$2,071 title XVI debt that was not reported at the time of employment. SSA records indicate this individual had knowledge of the debt over 5 years before his SSA employment. SSA originally wrote-off the debt because the Agency determined the individual was unwilling or unable to repay. SSA employed this individual from October 1999 to December 2000. During his employment, SSA did not recover any of the \$2,071. SSA's Debt Management Section was unaware of this debt because field office staff failed to move evidence of the overpayment to a new title XVI record. As a result, there was no effort to enter into a repayment agreement with the new employee. Neither could SSA's systems automatically identify this write-off for a tax refund offset. Because of this oversight, SSA missed opportunities to collect on this debt before, during and after this individual's employment.

In yet another instance, during a joint telephone conversation with a beneficiary and his family in August 1997, SSA learned that the beneficiary was in prison. As authorized, SSA immediately stopped his title XVI payments, established a \$2,593 overpayment write-off, and annotated in the record that the beneficiary was incarcerated in a foreign prison. However, the beneficiary's title II disability benefits continued because he was not yet convicted of a crime. In August 1998, SSA applied its tax refund offset authority against the outstanding title XVI debt.

In July 1999, SSA employed this individual. When he completed his Declaration for Federal Employment statement, he certified he had never been imprisoned or convicted of any crime and also certified he did not have any Federal debt. In February 2000, as a result of his SSA employment, the tax refund offset produced a collection of \$906. In response, the employee contacted the Office of the Inspector General (OIG) and alleged that an unknown person had used his name and Social Security number to receive title XVI benefits and therefore the overpayment should not be attributed to him. Upon further investigation, OIG obtained documentation that this employee was convicted of drug trafficking in October 1997 and had been imprisoned for 3 years in a foreign prison. In December 2001, SSA removed this individual from its employ upon completion of OIG's investigation.

Unfortunately, when SSA terminated his employment, the individual had been with the Agency for over 2 years. With evidence the beneficiary had been convicted of a crime, SSA determined he was also ineligible for the title II benefits collected while in prison. Therefore, in February 2002, SSA informed the ex-employee that he owed an additional \$13,027 in title II benefits because of his foreign incarceration. Again, if SSA had checked his title XVI record at the time of employment, it would have noted that he had been imprisoned and owed SSA a \$2,593 title XVI overpayment, even though his Declaration of Federal Employment statement denied either. With this information, SSA may also have taken steps to establish that there was an actual conviction and identified the title II overpayment 2 years earlier.

These case examples demonstrate that SSA cannot rely on the Declaration for Federal Employment statement as the sole means to identify the existence of Social Security debt belonging to new employees. Therefore, as part of the employment process, SSA should take proactive steps to identify outstanding Social Security debt. This would take minimal effort, as the debt information is readily available in the Master Beneficiary

Record and the Supplemental Security Income Record. If necessary steps are taken at the time of employment to identify outstanding program debt, SSA can take more appropriate actions. Specifically, SSA can explain to employees that *Standards of Ethical Conduct for Employees of the Executive Branch* require that employees, as citizens, satisfy in good faith their financial obligations, including Federal debt. This could include the option to negotiate a realistic repayment agreement. SSA considers a realistic period to be 12 to 36 months. Management could emphasize that, if the employee fails to negotiate or later does not comply with an agreement, he or she would be in violation of the ethical standard that could result in corrective or disciplinary action. For example, SSA could make a referral for a Federal tax refund offset or a Federal salary offset.⁸ In our opinion, SSA should use every avenue available to identify and recover outstanding Social Security debts in full from its employees. Additionally, we believe the benefit of such measures would far exceed the costs associated with implementation.

PROGRAM OVERPAYMENTS CAUSED BY SSA WAGES

For 221 of the 308 employees identified with title XVI overpayment write-offs, the overpayment occurred during employment and could have resulted directly from SSA wages.⁹ In 7 of the 12 employee write-off cases we reviewed, title XVI and title II debt write-offs and other title II overpayments were caused directly by SSA employment. These overpayments occurred because SSA did not take steps during the employment process to determine whether prospective employees were collecting title XVI and/or title II benefit payments. Because the amount of benefits paid can be affected by earned income, the wages paid directly by SSA caused program overpayments that went undetected for months. When identified, SSA wrote-off five of the seven overpayments because the employee was unable or unwilling to pay, had bankrupted, could not be located, or was granted a waiver. For one of the remaining two individuals, the \$12,480 title II overpayment was in collection status. However, the employee's repayment of the debt was sporadic and inconsistent. Collection on the other beneficiary's \$8,728 overpayment was covered under a negotiated repayment agreement. In October 2001, the employee verbally agreed to repay \$20 each month. If monthly payments are made as agreed, it will take the individual approximately 36 years to repay the interest free debt. This action is contrary to SSA's general policy of requiring repayment within 12 to 36 months.

If SSA had verified that prospective employees were receiving title XVI or title II benefits during the employment process all of these overpayments and subsequent write-offs could have been prevented. The seven title XVI and title II write-offs ranged from \$51 to \$12,480. At times, the causal relationship of the overpayment to SSA's direct employment was either not identified or ignored. In one case, even though SSA wages caused the title XVI overpayment, the Agency justified a \$2,232 write-off in

⁸ Under the Foster Care Independence Act of 1999 (P.L. 106-169), SSA is now allowed to use additional debt collection methods, previously available to recover only title II overpayments, to recover title XVI overpayments.

⁹ Sixteen of the 308 employees had write-offs that occurred prior to, and during or after employment. As such, these individuals are included in the employee count for this as well as the preceding finding.

April 1999 because SSA could not locate the beneficiary. We find this justification difficult to understand since this beneficiary had been employed at SSA since August 1996 and was still employed in March 2002.

In another case, SSA wages contributed to an employee's title XVI overpayment write-off, which totaled \$11,236. At the time of our test, the remaining write off was \$9,792 due to a tax refund offset collection in April 1999. SSA justified the write-off in January 1995 because the beneficiary was unwilling or unable to pay. However, records indicate that she had been employed with SSA since December 1991, over 4 years. It appears SSA did not associate this debt as belonging to one of its own employees and inappropriately wrote off the debt. SSA has recovered three additional tax refund offsets reducing this debt to \$5,637 as of March 2002. While the employee had negotiated a repayment rate of \$30 per month in October 2001, no payments have been made. SSA has not taken any additional action to collect on this overpayment.

These examples demonstrate the need for SSA to eliminate overpayments accruing because SSA has paid wages to employees who are also beneficiaries. Some employee/beneficiaries may be under trial work periods when full benefits can be continued. However, once the trial work ends, SSA should be ready to adjust benefit payments affected by SSA wages. SSA may have to rely principally on title XVI and title II beneficiaries to voluntarily report wages that can affect benefits, but wages SSA pays directly to employees should be readily identifiable. SSA should not allow large benefit overpayments to occur as a direct result of employment with SSA.

IMPLEMENT GOVERNMENTWIDE EMPLOYEE MATCHING

SSA has not participated in the governmentwide employee match, authorized under Title 5 of the United States Code (USC), section 5514, to identify Federal employees who are indebted to SSA. Based on the number of SSA employees we identified who were indebted to SSA, we would expect that there would be a number of other Federal employees who are also delinquent on outstanding SSA debt. As of March 2002, SSA had not performed the required match although authority for the computer matches was granted in 1996 pursuant to amendments contained in the Debt Collection Improvement Act. As a result, Federal employees who were previously overpaid Social Security benefits are being allowed to ignore their obligation to repay that debt in violation of the *Standards of Ethical Conduct for Employees of the Executive Branch*.

In the 1996 amendments to 5 USC 5514,¹⁰ Congress directed all Federal agencies to participate, at least annually, in a computer match with Treasury to identify Federal employees who are delinquent in repayment of outstanding debts. The matched Federal employee records include, but are not limited to, records of active Civil Service employees, military active duty personnel, military reservists, U. S. Postal Service employees, employees of other Government corporations, and seasonal and temporary Government employees. After following appropriate notification, negotiation, and hearing requirements, deductions may be made from a variety of Federal payments including salary. If the individual later retires or resigns, or if employment or period of

¹⁰ P.L. 104-134, § 31001.

active duty ends before the debt is collected, deduction can be made from subsequent payments of any nature due the individual from the agency. SSA should take every opportunity to exercise this authority to identify all Federal employees indebted to the Agency and take the authorized action to collect those delinquent debts (for example, the centralized Federal salary offset).

CONCLUSION AND RECOMMENDATIONS

SSA should do more at the time of employment to identify and prevent program overpayments and use all available authorities to collect outstanding program debts.

Therefore, we recommend that SSA:

1. Match title XVI and title II program overpayments against a list of SSA employees to identify current and former employees indebted to SSA. SSA should enter into realistic repayment agreements and, for both current and former employees, use all available collection options.
2. For employees with repayment agreements, ensure the individuals remain in compliance. If not or the employees refuse to enter into an agreement, SSA should take the necessary action for collection, such as a tax refund offset or Federal salary offset and/or other allowable disciplinary action.
3. As part of the normal employment process review the SSI Record and the Master Beneficiary Record for each new employee to:
 - a) Identify any delinquent title XVI or title II program debt attributed to new employees and compare that and other information contained in SSA systems with statements made on the Declaration for Federal Employment statement, and
 - b) Determine whether a prospective employee is receiving title XVI SSI or title II DI benefits to minimize or prevent potential overpayments due to future SSA wages.
4. If new employees are determined to have existing program debt or are receiving benefits, SSA should ensure that new employees enter into realistic repayment agreements, and that continuing benefit payments are adjusted to prevent future overpayments due to SSA wages.
5. SSA should also periodically match a list of active SSA employees against current title XVI and title II benefit payments to identify individuals who may have qualified for benefits while employed with SSA. Management should ensure that SSA wages were considered when the benefit payments were calculated.
6. Take the necessary steps to implement the match with Treasury authorized under Title 5, USC to identify all Federal employees who may owe SSA title XVI or title II overpayment debt and engage in authorized collection procedures.

AGENCY COMMENTS

In response to our draft report, SSA agreed with our overall recommendations. With regard to implementation of our first and fifth recommendations, SSA stated that further information is needed to determine the benefits of computer matches to identify current and former employees with Federal debt obligations. SSA also stated that additional resources are needed in order to implement our second and sixth recommendations related to Federal salary offset systems development. SSA provided other comments, and we incorporated them into the report as appropriate. See Appendix C for the full text of SSA's comments.

OIG RESPONSE

We concur with SSA's plan to perform a cost benefit analysis prior to its implementation of our first and fifth recommendations. Based on our review, we remain convinced that the benefit of computer matches to identify current and former employees with Federal debt obligations will exceed the associated costs since the matches will require minimal SSA resources. For example, the information necessary for the matches is already reported in the Agency's systems. Furthermore, in order to collect Federal debt obligations, we urge the Agency to provide the resources necessary for the Federal salary offset systems development.



James G. Huse, Jr.

Appendices

APPENDIX A – Total Number and Dollar Value of Employee Write-offs

APPENDIX B – Range of Title XVI Employee Write-offs

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Appendix A

Total Number and Dollar Value of Employee Write-offs

Write-off Category	Write-off Code	Trans-action Code	Definition	Number of Employee Write-offs	Dollar Value of Employee Write-offs
Collectible	D	B	Unwilling or unable to pay	80	\$109,457
	D	M	Out of country or unable to locate	18	\$ 19,729
Uncollectible	N	(blank)	Uncollectible due to death, bankruptcy or presumptive disability	128	\$ 93,098
	N	Y	Uncollectible based on a compromise settlement	1	\$ 664
	N	A	System applied administrative uncollectible or unresolved overpayment less than \$200	3	\$ 326
	N	B	System applied administrative uncollectible or unresolved overpayment less than \$30	142	\$ 1,674
Waiver	W	(blank)	Authorized waiver	305	\$147,187
TOTAL				677	\$372,135

Appendix B

Range of Title XVI Employee Write-offs

Range of Write-offs	Number of Write-offs	Total Value of Write-offs
Over \$10,000	2	\$23,182
\$ 5,001 to \$10,000	9	\$59,587
\$ 1,001 to \$ 5,000	57	\$121,535
\$ 501 to \$ 1,000	51	\$36,141
\$ 201 to \$ 500	105	\$37,317
\$.01 to \$ 200	308	\$14,236
TOTALS	532	\$291,998

Appendix C

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: August 23, 2002 Refer To: S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry Dye /s/
Chief of Staff

Subject: Office of the Inspector General Draft Management Advisory Report, "Social Security
Administration Employees with Title XVI Overpayment Write-offs" (A-04-99-64005)—
INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the report content and recommendations are attached. Staff questions can be referred to Odessa J. Woods on extension 50378.

Attachment:
Proposed Comments

**COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE
OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT MANAGEMENT ADVISORY
REPORT, "SOCIAL SECURITY ADMINISTRATION EMPLOYEES WITH TITLE XVI
OVERPAYMENT WRITE-OFFS (A-04-99-64005)**

Thank you for the opportunity to comment on the OIG draft management advisory report. Although we find that there may be merit in the recommendations, we believe that additional analysis is necessary before we can either agree or disagree with them. For example, the number of new hires in a year is in the thousands but only a negligible number are likely to owe SSA an outstanding debt. The systems and operations cost of “matching” 100 percent of employee payment files against the Master Beneficiary Record and the Supplemental Security Record must be taken into consideration. Equal Employment Opportunity Commission (EEOC) guidelines on information that can be obtained from applicants without violating anti-discrimination laws would also have to be considered as would labor relations guidelines and employee privacy considerations.

SSA will review all aspects of the issues and develop options for Agency consideration.

Recommendation 1

Match title XVI and title II program overpayments against a list of SSA employees to identify current and former employees indebted to SSA. SSA should enter into realistic repayment agreements and, for both current and former employees, use all available collection options.

SSA Comment

We agree that all SSA employees are obligated to repay their debts based on *The Standards of Ethical Conduct for Employees of the Executive Branch*. Performing a match of overpayments against current employees would provide a useful tool for assuring that they carry out their obligations. However, we believe that further study is needed to determine the benefits of matching former employees. There may be no additional leverage we could use over and above the mechanisms already in place to pursue overpayments from individuals who are no longer SSA employees.

Recommendation 2

For employees with repayment agreements, ensure the individuals remain in compliance. If not, or if the employees refuse to enter into an agreement, SSA should take the necessary action for collection, such as a tax refund offset or Federal salary offset and/or other allowable disciplinary action.

SSA Comment

We agree that repayments should be reasonable and ongoing. We offset ongoing program payments when applicable and we use billing and follow-up in attempts to collect from those not receiving benefits. If that fails, we use more aggressive tools such as the Treasury Offset Program and credit bureau reporting. We have also written draft regulations for Federal salary offset. While the salary offset project is currently unscheduled, we are continuing to develop and clear final regulations. When resources become available for Federal salary offset, we will begin the necessary systems development to support centralized Federal salary offset.

Recommendation 3

As part of the normal employment process, review the SSI Record and the Master Beneficiary Record for each new employee to:

- a) Identify any delinquent title XVI or title II program debt attributed to new employees and compare that and other information contained in SSA systems with statements made on the Declaration for Federal Employment statement; and,
- b) Determine whether a prospective employee is receiving title XVI SSI or title II DI benefits to minimize or prevent potential overpayments due to future SSA wages.

SSA Comment

We agree that the recommended changes in our employment process could strengthen our ability to recover and/or reduce overpayments to SSA employees. However, SSA's employment support programs, such as Plans for Achieving Self-Support, Income-Related Work Expenses, and Blind Work Expenses should be considered. These provisions allow an individual to be employed and collect benefits simultaneously. If these programs are involved, the actual amount or fact of overpayment could be mitigated. In addition, whatever procedure is used must comply with the EEOC's Guidelines on Disability-Related Inquiries and the Privacy Act requirement that "each agency that maintains a system of records shall...collect information to the greatest extent practicable directly from the subject individual when the information may result in adverse determinations about an individual's rights, benefits, and privileges under Federal programs...." (5 U.S.C. 552a(e)).

Also, the Office of Personnel Management (OPM) guidelines for the hiring/appointment process allow for Agencies to conduct whatever pre-offer/pre-appointment checks deemed necessary to ensure the applicant/appointee meets suitability standards. Thus, checks of Federal indebtedness could be conducted by SSA in addition to the background checks currently conducted by OPM

Recommendation 4

If new employees are determined to have existing program debt or are receiving benefits, SSA should ensure that new employees enter into realistic repayment agreements, and that continuing benefit payments are adjusted to prevent future overpayments due to SSA wages.

SSA Comment

We agree that some type of monitoring would be beneficial. If a new hire, including an applicant and/or an appointee, is identified as having such a debt, the appropriate SSA component will be notified and appropriate debt collection measures implemented.

Recommendation 5

SSA should also periodically match a list of active SSA employees against current title XVI and title II benefit payments to identify individuals who may have qualified for benefits while employed with SSA. Management should ensure that SSA wages were considered when the benefit payments were calculated.

SSA Comment

We agree that all SSA employees are obligated to repay their debts. However, as in our response to Recommendation 1, we believe that further study is needed to determine if there would be any benefit derived from matching employees against the Supplemental Security Record and the Master Beneficiary Record. There may be no additional leverage we could use over and above the mechanisms already in place to pursue overpayments from individuals who are no longer SSA employees.

Recommendation 6

Take the necessary steps to implement the match with Treasury authorized under Title 5, USC, to identify all Federal employees who may owe SSA title XVI or title II overpayment debt and to engage in authorized collection procedures.

SSA Comment

We agree with this recommendation and have had this project in the Agency's Information Technology (IT) Plan for some time. The project is currently unscheduled while resources are devoted to other projects deemed to have higher priority. As stated above, we will continue to develop the regulations for this project. When resources become available for Federal salary offset, we will begin the necessary systems development to support centralized Federal salary offset.

Appendix D

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director, Southern Audit Division (205) 801-1605

Acknowledgments

In addition to those named above:

James D. O'Hara, Deputy Director

Michele Roshetko, Senior Auditor

Teaketa Hayden, Auditor

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