



SOCIAL SECURITY

Office of the Inspector General

MEMORANDUM

MAY - 7 2001

Date:

Refer To:

To: Larry G. Massanari
Acting Commissioner
of Social Security

From: Inspector General

Subject: Controls Over Recording Supplemental Security Income Overpayments
(A-01-00-10005)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration's internal controls are adequate to ensure that Supplemental Security Income overpayments on closed records are identified so that they can be recovered from current benefit payments.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. 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 "James G. Huse, Jr.", with "for" written above it to the left.

Attachment

OFFICE OF
THE INSPECTOR GENERAL

SOCIAL SECURITY ADMINISTRATION

CONTROLS OVER RECORDING
SUPPLEMENTAL SECURITY
INCOME OVERPAYMENTS

May 2001 A-01-00-10005

AUDIT 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.

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

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.

Executive Summary

OBJECTIVE

Our objective was to determine whether the Social Security Administration's (SSA) internal controls are adequate to ensure that Supplemental Security Income (SSI) overpayments on closed records are identified so that they can be recovered from current benefit payments.

BACKGROUND

SSA considers an individual overpaid when he or she receives an amount for any period, which exceeds the total amount that should have been paid for that period. Collection activities are initiated when a SSI overpayment is recorded on the recipient's Supplemental Security Record (SSR). In many cases, the overpayment is recorded at the same time that the recipient becomes ineligible for SSI benefits and those benefits are suspended or terminated.

Once a recipient's benefits are terminated, that recipient must reapply to receive benefits again. If the recipient is again determined to be eligible for benefits based on the new application, a new SSR is created and the prior SSR is retained for historical data only. In prior years, when this occurred, any outstanding overpayments recorded on the prior SSR had to be manually transferred to the new SSR for collection activities to be initiated and for recoveries to be made against the current benefit payments.

In 1990, SSA declared a material weakness in the SSI program related to "SSI Record Reestablishment." In 1991, SSA also declared a material weakness related to reporting and accounting of SSI overpayments. SSA cleared the majority of the 1990 material weakness in 1997 by implementing the Modernized Supplemental Security Income Claims System (MSSICS) Release 4.4. In 1999, SSA initiated system improvements to address the remaining portion of the 1990 material weakness regarding record reestablishment by implementing an improvement to MSSICS called Terminated Record Balancing and Debt Transfer (TREBDET). TREBDET's main purpose is to reconcile overpayments on closed records and transfer debt information to the current record. However, TREBDET is not effective in transferring all identified overpayments.

SSA management recognized that the implementation of TREBDET would not completely correct its internal control weaknesses related to overpayments. As a result, SSA implemented the Debt Recovery Program in 2000. The program is designed to transfer outstanding overpayments to current records created prior to the inception of TREBDET. Additionally, this program was designed to augment one of TREBDET's limitations.

RESULTS OF REVIEW

SSA's internal controls did not ensure that all SSI overpayments on closed records were identified and pursued for collection from current benefit payments. We identified outstanding overpayments that were not transferred to newly established SSRs. As a result, SSA missed the opportunity to recover a substantial amount of SSI overpayments through withholding benefits when SSA resumed payments to these recipients. Based on the results of our statistical sample, we estimate that, as of February 2000, \$93.54 million in overpayments should have been transferred to 35,138 recipients' current records. Further, SSA could have already recovered \$42.87 million in overpayments from these recipients' current benefit payments if the overpayments had been transferred to the newly established SSRs when their payments resumed. We also estimate that SSA could recover \$20.08 million in outstanding overpayments from recipients during the next 12 months.

CONCLUSIONS AND RECOMMENDATIONS

Since at least 1990, SSA has known that its internal controls were not able to ensure that SSI overpayments on closed records were identified and collected when SSA resumed benefit payments to SSI recipients by establishing new SSRs. Since 1997, SSA has implemented improved controls in this area through MSSICS and TREBDET. However, these system improvements were prospective in nature and are not effective under all circumstances. As a result, SSA has to clean-up SSRs created prior to TREBDET and periodically review new SSRs created outside MSSICS. To address this weakness, SSA developed a Debt Recovery Program. Approximately 54 percent of the 38,194 cases we identified meet SSA's criteria for being moved to new records by the Debt Recovery Program. If these individuals received benefit payments during July or August 2000, when the Debt Recovery Program was run, these overpayments should have been moved to new records. While SSA's July/August 2000 run of the Debt Recovery Program was successful, approximately 46 percent of the overpayments we identified remain on prior SSRs and still need to be moved forward to new SSRs.

We recommend that SSA:

- Continue to periodically run the Debt Recovery Program to ensure that prior overpayments on closed records are identified and pursued for collection;
- Pursue collection of the 17,675 overpayments we identified which do not meet the criteria for selection by the Debt Recovery Program; and
- Review the 20,519 overpayments we identified that meet the criteria for being moved forward by the Debt Recovery Program and ensure that these outstanding overpayments were transferred to new SSRs.

AGENCY COMMENTS

In response to our draft report, SSA agreed with our recommendations. (See Appendix B for SSA's comments.)

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Acronyms

FBR	Federal Benefit Rate
FO	Field Office
MSSICS	Modernized Supplemental Security Income Claims System
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
TREBDET	Terminated Record Balancing and Debt Transfer

Introduction

OBJECTIVE

Our objective was to determine whether the Social Security Administration's (SSA) internal controls are adequate to ensure that Supplemental Security Income (SSI) overpayments on closed records are identified so that they can be recovered from current benefit payments.

BACKGROUND

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

The majority of SSI overpayments stem from recipients' failure to report changes in one of three areas: income (particularly wages), financial accounts, or living arrangements (particularly institutionalization). As previously stated, SSI eligibility and benefit amounts are determined on a monthly basis. Therefore, recipients' SSI eligibility or payment amounts can change from month-to-month as their income, resources or living arrangements change.

SSA considers an individual overpaid when he or she receives an amount for any period, which exceeds the total amount that should have been paid for that period.³ Collection activities are initiated when a SSI overpayment is recorded on the recipient's Supplemental Security Record (SSR).⁴ In many cases, the overpayment is recorded at the same time that the recipient becomes ineligible for SSI benefit payments and those benefits are suspended or terminated.

Once a recipient's benefits are terminated, his or her SSR is closed and the recipient must reapply to receive benefits again. If the recipient is determined to be eligible for benefits based on the new application, a new SSR is created and the prior SSR is retained for historical data only. In prior years, when this occurred, any outstanding overpayments recorded on the prior SSR had to be manually transferred to the new

¹ 20 C.F.R. § 416.101

² 20 C.F.R. § 416.110

³ 20 C.F.R. § 416.537(a)

⁴ SSA begins collection activities after the overpayment appeal period if the recipient does not file an appeal or request a waiver.

SSR. Once posted to the new SSR, collection activities could be initiated and recoveries made against the benefits paid. SSA has acknowledged that, “Because the reestablishment of records must be done manually, the process is highly error prone.”⁵ In recent years, SSA has improved the overpayment transfer process so that many overpayments are automatically transferred from closed records. However, manual processing must still be used in cases where the automated process is not used or is not effective.

In 1990, SSA declared a material weakness in the SSI program related to “SSI Record Reestablishment.”⁶ In 1991, SSA also declared a material weakness related to reporting and accounting of SSI overpayments.⁷ SSA cleared the majority of the 1990 material weakness in 1997 by implementing the Modernized Supplemental Security Income Claims System (MSSICS) Release 4.4. In 1999, SSA initiated system improvements to address the remaining portion of the 1990 material weakness regarding record reestablishment by implementing an improvement to MSSICS called Terminated Record Balancing and Debt Transfer (TREBDET). TREBDET’s main purpose is to reconcile overpayments on closed records and transfer debt information to the current record. SSA reported that in the first year of TREBDET use, monthly overpayment transfers increased 200 percent to an average of about \$31.5 million. Additionally, SSA estimates that through the first 4 months of Fiscal Year 2001, monthly overpayment transfers averaged about \$29 million. However, TREBDET is not effective in transferring all identified overpayments.

SSA management recognized that the implementation of TREBDET would not completely correct internal control weaknesses related to overpayments. As a result, SSA implemented the Debt Recovery Program in 2000. The program is designed to transfer outstanding overpayments to current records created prior to the inception of TREBDET. Additionally, this program was designed to augment one of TREBDET’s limitations.⁸

Laws, Regulations and SSA’s Policies

The following laws, regulations and SSA policies provide a summary of the criteria relevant to this audit:

⁵ SSA internal memorandum regarding “Title II and Title XVI Material Nonconformances,” July 8, 1993.

⁶ The identified weaknesses include: “(1) failure to post existing overpayments and underpayments to the reestablished record, and (2) failure to develop overpayments and underpayments in cases in which the records are being terminated and reestablished.”

⁷ The weaknesses related to SSA’s inability to properly account for and report benefit overpayments in accordance with the Federal Managers’ Financial Integrity Act.

⁸ TREBDET only automatically transfers outstanding overpayments to reestablished records if the new records are created in MSSICS.

- The Social Security Act requires SSA to recover overpayments when discovered.⁹ SSA should recover overpayments by adjusting future benefits or by other means. SSA generally limits the monthly adjustment of an individual's SSI payment to the lesser of: (1) 10 percent of the recipient's total countable income plus SSI and State supplementary payments for that month, or (2) the recipient's entire monthly benefit.
- SSA requires Field Office (FO) employees to transfer outstanding overpayments on closed SSRs to the newly created SSRs. When manually transferring these overpayments, FO staff are required to annotate the overpayment on the closed SSRs. To close the overpayment on the old record, the FO staff should indicate that the overpayment was transferred to a new record.¹⁰ FO staff should then note on the new record that the corresponding overpayment was transferred from the old record.¹¹

SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed sections of the Social Security Act and SSA's regulations, rules, policies and procedures pertaining to SSI overpayments.
- Interviewed SSA disability specialists to obtain an understanding of how overpayments should be processed and recorded on the SSR.
- Obtained a data file of 16.5 million SSRs containing overpayments recorded in or after 1990. Through data analysis we identified 38,194 SSRs that showed recipients with outstanding overpayments of \$500, or greater, on closed records. The outstanding overpayments on these records totaled \$100,594,455. These 38,194 recipients were receiving benefit payments as of February 2000; however, the outstanding overpayments were not recorded on the current SSRs. See Appendix A for details of our sample results.
- Determined which of the 38,194 overpayments would have been selected by SSA's Debt Recovery Program. Our analysis found that 20,519 (54 percent) of the 38,194 SSRs we identified meet SSA's criteria for being selected by the Debt Recovery Program. The remaining 17,675 (46 percent) of the overpayments we identified would not be selected by SSA's Debt Recovery Program as it is currently designed.
- Selected a random sample of 150 of the 38,194 SSRs, and projected our sample results to the population. For each sampled case, we determined: (1) the

⁹ As stated in Section 1631 [42 U.S.C. 1383] (b) (1) (A) and (B) of the Social Security Act.

¹⁰ SM 01311.350 states the overpayment on the closed record should be coded "Q," indicating the overpayment was transferred to a new record.

¹¹ SM 01311.315 states the overpayment on the new record should be coded "P," indicating the overpayment was transferred from a prior record.

overpayment amount not transferred to the current SSR; and (2) the overpayment amount that could have been recovered from SSI payments if these overpayments had been transferred to the newly established SSRs when SSA resumed benefit payments to the recipients.¹²

- From the 16.5 million SSRs, identified 24,249 SSRs with outstanding overpayment amounts between \$30 and \$500. These overpayments, totaling \$5,980,623, remained on closed records even though these individuals were receiving benefit payments in February 2000. We did not include overpayments less than \$500 in our sample population.
- From the 16.5 million SSRs, identified 16,542 SSRs with outstanding overpayments of \$500, or greater, which had not been transferred from closed records. These overpayments, totaling \$49,767,774, were for individuals in suspended pay status as of February 2000. We did not include these cases in our sample population¹³ since these individuals were not receiving benefit payments in February 2000.
- Discussed our sample cases with SSA FO personnel to confirm the overpayment amounts and to initiate collection activities. For those SSRs reestablished after implementation of TREBDET,¹⁴ we determined whether the cases involved reestablished records created in MSSICS,¹⁵ and asked FO personnel to explain why reestablished records were not created in MSSICS.

We performed our audit in Boston, Massachusetts between May and October 2000. The entities audited were SSA's FOs and the Office of Financial Policy and Operations under the Deputy Commissioner for Finance, Assessment and Management. We conducted our audit in accordance with generally accepted government auditing standards.

¹² We estimated the recovery amount by assuming SSA would have withheld 10 percent of the Federal Benefit Rate (FBR) from current payments. If SSA had initiated recovery of these overpayments, SSA could have recovered the lesser of: (1) 10 percent of the recipient's total countable income plus SSI and State supplementary payments, or (2) the recipient's entire monthly benefit. However, we used a conservative approach and assumed only 10 percent of the FBR would have been recovered.

¹³ MSSICS and SSA's Debt Recovery Program should transfer these outstanding overpayments to current records if benefit payments to these individuals resume.

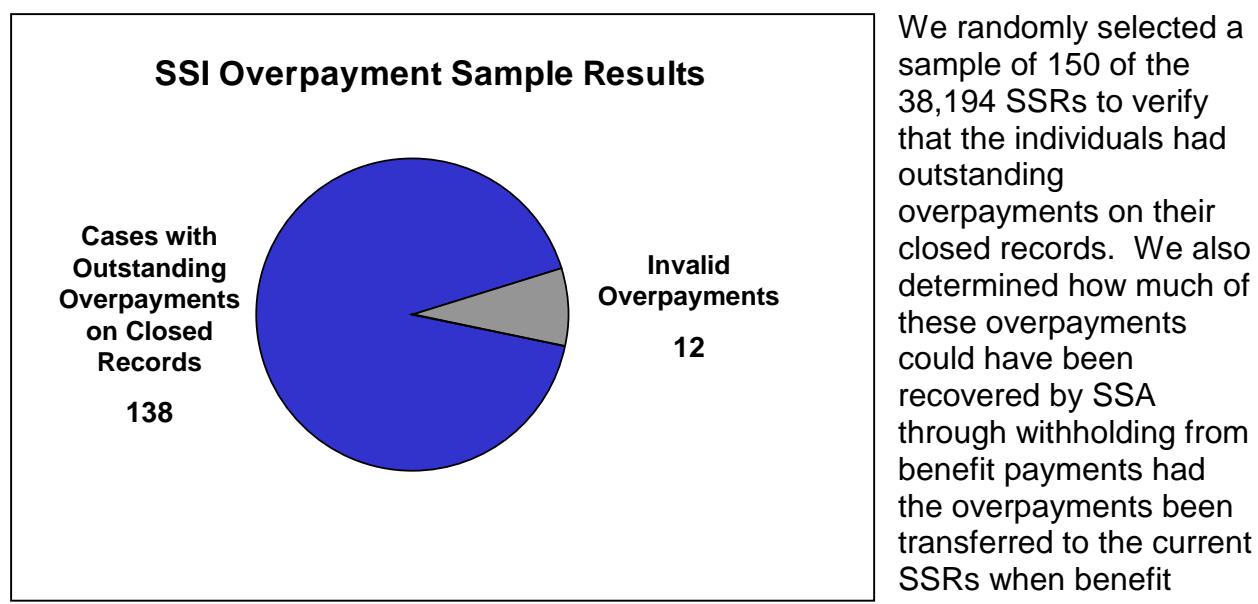
¹⁴ TREBDET was implemented in July 1999.

¹⁵ SSA staff stated that TREBDET would automatically transfer outstanding overpayments to newly established records only if those new SSRs were created in MSSICS. However, TREBDET only transfers outstanding overpayments on the record immediately preceding the current SSR.

Results of Review

SSA's internal controls did not ensure that all SSI overpayments on closed records were identified and pursued for collection from current benefit payments. We identified outstanding overpayments that were not transferred to newly established SSRs. As a result, SSA missed the opportunity to recover a substantial amount of SSI overpayments through withholding benefits when SSA resumed payments to these recipients. Through data analysis we identified a population of 38,194 SSRs with \$100.59 million in outstanding overpayments on closed SSRs which were not recorded on the current SSRs of individuals who were receiving benefit payments.

Based on the results of our statistical sample, we estimate that, as of February 2000, \$93.54 million¹⁶ in overpayments should have been transferred to 35,138 recipients' current records. Further, SSA could have already recovered \$42.87 million in overpayments from these recipients' current benefit payments if the overpayments had been transferred to the newly established SSRs when their payments resumed. We also estimate that SSA could recover \$20.08 million in outstanding overpayments from recipients during the next 12 months, if SSA withholds 10 percent of the Federal Benefit Rate (FBR) from current payments.



individuals resumed. We found that 138 of the 150 sampled records were for recipients currently receiving benefit payments who also had outstanding overpayments on closed SSRs that totaled \$367,343. Additionally, we determined that SSA could have recovered \$168,368 from these individuals' SSI payments if the overpayments had been recorded on the new SSRs when they were created.

¹⁶ This figure does not reflect actions SSA took to automatically transfer overpayments to current pay records during the period in which our audit work was performed.

In the remaining 12 sample cases, the outstanding overpayments were not valid and were not included in our sample results. These overpayments were still recorded on the SSRs as outstanding, but FO staff determined that the overpayments were erroneous. If these overpayments had been properly coded on the SSRs, they would not have been identified as still outstanding during our data analysis.

OVERPAYMENT CODING ON THE CLOSED RECORDS

The 138 recipients with SSI overpayments which were not transferred to the current records had their overpayments coded in various ways (see table 1).

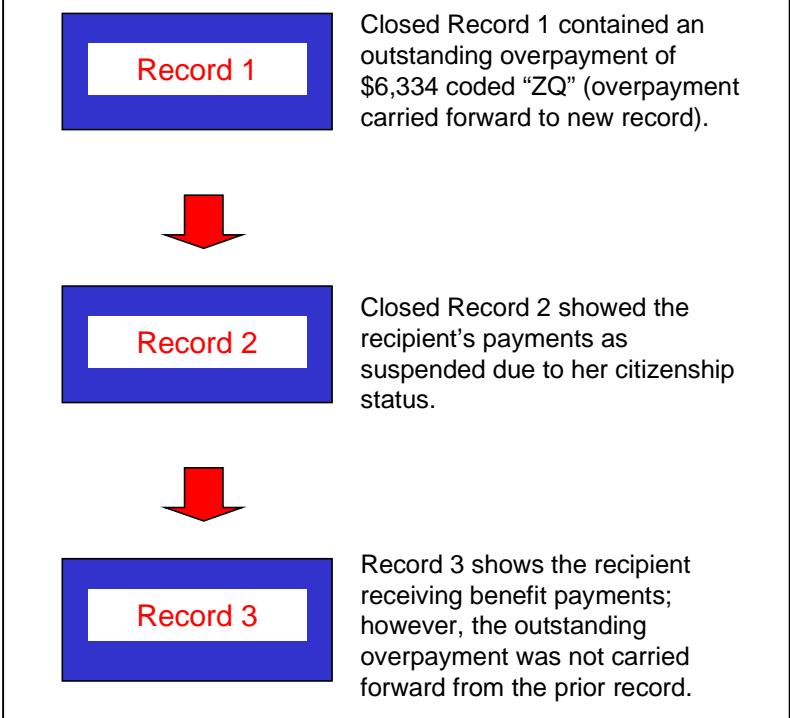
Table 1: Coding of Overpayments on the Closed Records

Overpayment Coding on Closed Record	Description of Coding	Number of Cases
DB	Unwilling or unable to repay	98
Q	Overpayment transferred to new record	23
DM	Out of the country or unable to locate	10
D	Collection or suspension of collection via check adjustment	6
DA	Collection delayed pending activation of automated collection decision	1
Total		138

In 98 of our sampled cases, codes on the closed records indicate that the recipients were unwilling or unable to repay their overpayments. For example, in one of these 98 cases, the recipient's first SSR was terminated because the recipient was an inmate in a public institution.¹⁷ As a result, the SSR was terminated in March 1998 and an overpayment totaling \$2,535 was identified and coded as "DB." In June 1998, the recipient reapplied for SSI benefits and a new SSR was created (Record 2). However, the FO Claims Representative who created the new SSR neglected to transfer the outstanding overpayment from the closed SSR, as required. The Claims Representative responsible for creating the new SSR could not explain why the overpayment remained outstanding; however, she said the overpayment was valid. We estimate that SSA missed the opportunity to collect \$1,152 from this recipient through withholding 10 percent of the FBR from the individual's SSI payments from July 1998 through May 2000. Further, we estimate that SSA could recover an additional \$614 of this outstanding overpayment from payments made to the recipient during the next 12 months.

¹⁷ The Social Security Act prohibits the payment of SSI benefits to inmates in public institutions.

Figure 1: ZQ Example Case



In 23 of our sampled cases, codes on the closed records indicated that the overpayments were transferred to new records. However, these outstanding overpayments were not recorded on the current SSRs.

For example, in one of these 23 cases, the recipient's first SSR was terminated in March 1995 because it was determined the recipient had excess resources. In September 1996, a new SSR was created when the recipient reapplied for benefits. However, the recipient's application was denied because she was not eligible. In June 1998, the recipient's 1996 application

was reconsidered and a third SSR was created. Record 3 showed SSA resuming benefit payments to the recipient and issuing a lump sum SSI payment for January through July 1998. In August 1998, the outstanding overpayment on Record 1 totaling \$6,334 was annotated as having been transferred to a new record; however, the outstanding overpayment was not on Record 3.

When asked to explain why the overpayment remained outstanding, a Management Support Specialist from the FO stated it was a Claim Representative's oversight. As a result of this overpayment not being transferred to the new SSR at the time it was created, we estimate that SSA missed the opportunity to collect \$1,449 from this recipient's SSI benefits via withholding 10 percent of the FBR from the individual's SSI payments for January 1998 to May 2000. We estimate that SSA could recover an additional \$614 of this outstanding overpayment from SSI benefit payments made to the recipient during the next 12 months.

TREBDET CREATED TO IMPROVE CONTROLS

On July 24, 1999, SSA implemented a system improvement to MSSICS called TREBDET to strengthen internal controls regarding record reestablishment. TREBDET's main purpose is to reconcile overpayments on closed records and transfer debt information to current SSRs. TREBDET should automatically transfer outstanding overpayments from closed records to newly established records created after July 24, 1999. However, SSA staff informed us that TREBDET has several limitations.

First, TREBDET does not have the ability to transfer outstanding overpayments from a closed record that is not directly preceding the reestablished record.¹⁸ Additionally, TREBDET will only automatically transfer outstanding overpayments to reestablished SSRs if the new records are created in MSSICS.¹⁹

Our population included cases with records reestablished as late as February 2000—after TREBDET's implementation in July 1999. As part of our case analysis, we identified sample cases processed after implementation of TREBDET and assessed why TREBDET did not automatically transfer these outstanding overpayments to new SSRs. For 15 of the 138 cases in our sample, reestablished SSRs were created after implementation of TREBDET, but those outstanding overpayments were not transferred to new SSRs. Results of our review of these 15 cases confirm that TREBDET does not ensure all outstanding overpayments are transferred from closed records. For these 15 cases, we found that:

- 10 reestablished records were created manually (MSSICS was not used); and
- 5 cases had outstanding overpayments on closed records more than one record prior to the new SSRs.

SSA's DEBT RECOVERY PROGRAM

SSA management recognized that the implementation of TREBDET would not completely correct internal control weaknesses related to overpayments. As a result, SSA began working on a Debt Recovery Program in 1998. The program was designed to transfer outstanding overpayments to current records created prior to the inception of TREBDET. Additionally, this program was designed to augment one of TREBDET's limitations.²⁰ SSA's initial runs of the Debt Recovery Program occurred on July 31, 2000 and August 28, 2000. As a result of SSA's Debt Recovery Program, about \$74.3 million in uncollected overpayments were transferred to the latest record for recovery on about 42,200 accounts.

Sample Cases Eligible for Selection by Debt Recovery Program

The outstanding overpayments identified by the Debt Recovery Program included a substantial portion of our audit sample. Of our 150 sampled cases, 83 were eligible for selection by the program. We determined that 72 of these 83 outstanding overpayments were transferred to current records.²¹ We reviewed the remaining

¹⁸ In other words, if the outstanding overpayment was located on Record 1 and the reestablished record was Record 3, the overpayment would not be transferred automatically by TREBDET.

¹⁹ FO staff have the ability to manually reestablish records by not using MSSICS.

²⁰ TREBDET only transfers outstanding overpayments on the record immediately preceding the current SSR.

²¹ In 29 of these 72 cases, we confirmed that the overpayments were identified in July or August 2000 by the Debt Recovery Program. In the remaining 43 cases, because we asked the FOs to transfer valid

11 cases and found that:

- 6 recipients did not receive benefit payments during July/August 2000;
- 3 overpayments were resolved by SSA prior to the Debt Recovery Program;
- 1 overpayment was waived; and
- 1 case had an overpayment sequence balancing problem that prevented the Debt Recovery Program from computing the proper amount of the overpayment.

Sample Cases Excluded from Debt Recovery Program

The remaining 67 of our 150 sample cases (45 percent) were not selected by the Debt Recovery Program for several reasons.

- The program did not select 32 cases because the outstanding overpayments were located on closed SSRs that were not directly preceding the current records. The Debt Recovery Program was not designed to transfer these types of outstanding overpayments.
- The program did not select 27 cases because the outstanding overpayments were marked as already transferred from the closed records (coded as "Q"). SSA did not design the program to transfer these types of outstanding overpayments.
- The program did not select the remaining 8 cases because the outstanding overpayments were on closed records with terminated status codes of "T30."

"T30" Cases Excluded from Debt Recovery Program

SSA decided not to use the Debt Recovery Program to transfer outstanding overpayments on closed records that had a terminated status code of "T30," which means "Manual termination." In SSA's opinion, these outstanding overpayment amounts may be inaccurate. However, our sampling results have shown that outstanding overpayments on closed records with termination codes of "T30" are valid.

Specifically, of the 150 cases we sampled, 25 had outstanding overpayments on terminated SSRs coded "T30." We found that 23 of these 25 cases (or 92 percent) had valid outstanding overpayments and the responsible FOs confirmed our findings. For example, in one case, an outstanding overpayment of \$8,600 was located on Record 3 of a recipient's SSR. Record 3 was terminated in December 1997 and had a termination code of "T30." In January 1998, Record 4 was established; however, the outstanding overpayment was not transferred to this record. After communicating with the FO, we confirmed that the outstanding overpayment amount was accurate. In

overpayments to the current records once they verified the overpayments in our sample, we could not determine whether the overpayments were carried forward due to our audit or for some other reason.

July 2000, the \$8,600 was transferred to Record 4, so that SSA could begin recovering this overpayment.

Differences Between OIG Sample Population and SSA's Debt Recovery Program

The population selected in the initial July/August 2000 run of the Debt Recovery Program differed from our audit population in two additional ways:

- The Debt Recovery Program included SSRs with outstanding overpayments of \$30 or greater. Our population was limited to outstanding overpayments of \$500 or greater.
- We limited our population to outstanding overpayments that occurred in or after 1990. SSA personnel stated they did not limit the selection of their population based on timeliness.

By limiting our sample population, we concentrated our audit efforts on those cases with the highest impact on SSA's funds and on overpayments which occurred more recently. SSA's inclusion of such overpayments will result in increased recoveries beyond those we estimated based on our sample population.

Conclusions and Recommendations

Since at least 1990, SSA has known that its internal controls were not able to ensure that SSI overpayments on closed records were identified and collected when SSA resumed benefit payments to SSI recipients by establishing new SSRs. Since 1997, SSA has implemented improved controls in this area through MSSICS and TREBDET. However, these system improvements were prospective in nature and are not effective under all circumstances. As a result, SSA has to clean-up SSRs created prior to TREBDET and periodically review new SSRs created outside MSSICS. To address this weakness, SSA developed a Debt Recovery Program. Approximately 54 percent of the 38,194 cases we identified meet SSA's criteria for being moved to new records by the Debt Recovery Program. If these individuals received benefit payments during July or August 2000, when the Debt Recovery Program was run, these overpayments should have been moved to new records. While SSA's July/August 2000 run of the Debt Recovery Program was successful, approximately 46 percent of the overpayments we identified remain on prior SSRs and still need to be moved forward to new SSRs.

We recommend that SSA:

1. Continue to periodically run the Debt Recovery Program to ensure that prior overpayments on closed records are identified and pursued for collection.
2. Pursue collection of the 17,675 overpayments we identified which do not meet the criteria for selection by the Debt Recovery Program.
3. Review the 20,519 overpayments we identified that meet the criteria for being moved forward by the Debt Recovery Program and ensure that these outstanding overpayments were transferred to new SSRs.

AGENCY COMMENTS

In response to our draft report, SSA agreed with our recommendations. Specifically, SSA stated that they are evaluating the feasibility of running the Debt Recovery Program daily. In response to our second recommendation, SSA stated they agree that they should pursue collection of overpayments if it is feasible and cost effective to do so. SSA stated that in order to make this determination they will evaluate the criteria used to select cases for the Debt Recovery Program.

Appendices

Appendix A

Sampling Methodology and Results

We obtained from the Social Security Administration a data extract from the Supplemental Security Record (SSR) of 16.5 million records for individuals who received benefit payments in February 2000 and who had overpayments on their records. Through analysis of these 16.5 million records, we identified 38,194 SSRs with \$100,594,455 in overpayments on closed SSRs that were not transferred to the current SSRs. We selected a random sample of 150 cases from this population.

Sample Results and Projections	
Population size	38,194
Sample size	150
Attribute Projections	
Sampled cases with overpayments not transferred to new SSRs	138
Projection of cases with overpayments not transferred to new SSRs	35,138
Projection lower limit	33,369
Projection upper limit	36,405
Dollar Projections/Estimates	
Sample Results – Outstanding overpayments not transferred to new SSRs	\$367,343
Projection – Outstanding overpayments not transferred to new SSRs (138 cases)	\$93,535,250
Projection lower limit	\$77,912,800
Projection upper limit	\$109,157,699
Sample Results – Overpayment amounts that should have been recovered through May 2000 (137 cases)	\$168,368
Projection – Overpayment amounts that should have been recovered through May 2000	\$42,871,097
Projection lower limit	\$38,235,082
Projection upper limit	\$47,507,112
Sample Results – Overpayments that should have been recovered from the recipients' May 2000 benefit payments (131 cases)	\$6,573
Projection – Overpayments that should have been recovered from the recipients' May 2000 benefit payments	\$1,673,534
Projection lower limit	\$1,583,973
Projection upper limit	\$1,763,095
Estimated recoveries over the next 12 months (projected monthly recovery X 12 months)	\$20,082,408

Note: All projections were calculated at the 90 percent confidence level.

Appendix B

Agency Comments



SOCIAL SECURITY

MEMORANDUM

April 10, 2001

Refer To: ENTER INFO

To: James G. Huse, Jr.
Inspector General

A handwritten signature in black ink, appearing to read "James G. Huse, Jr.", is written over the recipient's name.

Larry G. Massanari
Acting Commissioner of Social Security

Subject: Office of the Inspector General (OIG) Draft Report, "Controls Over Recording Supplemental Security Income Overpayments" (A-01-00-10005)—INFORMATION

Our comments to the subject report are attached. Staff questions may be directed to Odessa J. Woods at extension 50378.

Attachment:
SSA Response

**COMMENTS OF THE SOCIAL SECURITY ADMINISTRATION (SSA) ON THE
OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "CONTROLS
OVER SUPPLEMENTAL SECURITY INCOME OVERPAYMENTS" (A-01-00-10005)**

Thank you for the opportunity to review the subject draft report. We offer the following comments.

Recommendation 1

Continue to periodically run the Debt Recovery Program to ensure that prior overpayments on closed records are identified and pursued for collection.

SSA Comment

We agree with this recommendation. The Project Scope Agreement (PSA) for the Post-83 Debt Write-off Project prescribes periodically running the Debt Recovery Program. When the Debt Recovery Program was developed last year, we intended to run this program annually, consistent with the PSA. We are now evaluating the feasibility of running the Debt Recovery Program daily. This would eliminate any further increase in the backlog of debt on prior records.

Recommendation 2

Pursue collection of the 17,675 overpayments we identified which do not meet the criteria for selection by the Debt Recovery Program.

SSA Comment

We agree that SSA should pursue collection of these overpayments if it is feasible and cost effective to do so. To help make this determination, we plan to evaluate the criteria used to select cases for the Debt Recovery Program. Consistent with this recommendation, the following actions are either completed or underway:

- A. In June 2001, SSA plans to remove an indicator present on some records that interferes with the transfer of overpayments to current pay records for recovery.
- B. Based on a Terminated Record Balancing and Debt Transfer (TREBDET) Corrective Action Review completed in September 2000, a communiqué was issued in November 2000 to all Regional Commissioners reinforcing the need to transfer uncollected

overpayments to the latest SSR. The communiqué included a copy of the TREBDET Corrective Action Review report.

Beyond these initiatives, we will explore ways to improve or augment existing controls (e.g., TREBDET, the Debt Recovery Program and overpayment alerts) to facilitate overpayment transfers or clearances. This will include an assessment of: 1) The extent to which automatic record balancing and overpayment transfer can be enhanced to address the conditions cited in the audit report; and 2) the adequacy of existing overpayment alerts. We anticipate that any initiative to improve overpayment controls will require one or more project proposals in Systems' 5-Year Planning process.

Recommendation 3

Review the 20,519 overpayments we identified that meet the criteria for being moved forward by the Debt Recovery Program and ensure that these outstanding overpayments were transferred to new SSRs.

SSA Comment

As mentioned in the response to Recommendation 1 above, SSA will continue to run the Debt Recovery Program to ensure uncollected overpayments that meet the criteria for transfer using the Debt Recovery Program will be transferred to current pay accounts. This would include any accounts identified by this audit.

[In addition to the items listed above, SSA also provided technical comments which have been addressed in this report.]

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

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