
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY ADMINISTRATION'S
REPORTING OF HIGH-DOLLAR OVERPAYMENTS
UNDER EXECUTIVE ORDER 13520 IN
FISCAL YEAR 2012**

December 2012

A-15-13-13068

**EVALUATION
REPORT**



Mission

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

Authority

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

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

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

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

Vision

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

MEMORANDUM

Date: December 28, 2012 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Reporting of High-dollar Overpayments Under Executive Order 13520 in Fiscal Year 2012 (A-15-13-13068)

OBJECTIVE

Our objectives were to review the Accountable Official's Quarterly High-Dollar Overpayment Reports to the Office of the Inspector General (OIG), as required by Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, for the quarters ended December 2011 and March, June, and September 2012 and determine whether the (1) method used for identifying high-dollar overpayments detected overpayments meeting the Executive Order criteria and (2) Agency complied with all requirements of the Executive Order.

BACKGROUND

When the Government makes payments to individuals and businesses, such as program beneficiaries, grantees, or contractors or on behalf of program beneficiaries, it must make every effort to confirm the right recipient is receiving the correct payment. On November 20, 2009, the President issued Executive Order 13520¹ ". . . to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries."²

As part of the Executive Order, each agency head is required to submit to the agency's OIG and the Council of Inspectors General on Integrity and Efficiency (CIGIE) a quarterly report on high-dollar overpayments identified by the agency, subject to Federal

¹ Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs* (November 20, 2009), 74 Fed. Reg. 62201 (November 25, 2009).

² *Id.* at Section 1.

privacy policies and to the extent permitted by law.³ The report shall describe any actions the agency has taken or plans to take to recover improper payments, as well as any actions the agency intends to take to prevent improper payments from occurring in the future.⁴ According to Office of Management and Budget (OMB) guidance,⁵ a high-dollar overpayment exceeds 50 percent of the correct amount of the intended payment where

1. the total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter or
2. the payment to an entity⁶ exceeds \$25,000 as a single payment or in cumulative payments for the quarter.

Examples of overpayments that would need to be included in an agency's quarterly report on high-dollar overpayments include the following.

1. A single payment or cumulative payments to the wrong individual or entity that exceeds the respective \$5,000 or \$25,000 limit.
2. A single payment or cumulative payments to the correct individual of \$6,500 when the intended amount was \$3,000 (the payment is more than 50-percent higher than the intended amount, and the total payment is above \$5,000, thus meeting both criteria to qualify as a high-dollar improper payment to an individual).
3. Cumulative amounts of overpayments to an entity that exceed the 50-percent and \$25,000-threshold during a quarter (for example, even if an agency has an ongoing relationship with an entity and typically corrects overpayments or underpayments in its next payment cycle, it would need to report these improper payments if they are above the 50 percent and \$25,000 amount for the quarter).⁷

³ All Agencies with programs susceptible to significant overpayments under the *Improper Payments Information Act of 2002* (IPIA) are required to submit reports on high-dollar overpayments. The Agency has conducted risk assessments on each program to identify the programs susceptible to significant overpayments and have concluded that administrative payments do not meet the criteria for further improper payment reporting. Therefore, the Agency's high-dollar reporting only focuses on benefit payments.

⁴ *Id.* at Section 3.(f).

⁵ OMB Circular A-123, *Management's Responsibility for Internal Control*, M-10-13, Appendix C, Part III, Section C3), *Agency Head Quarterly High-Dollar Report to the IG*, page 17, March 22, 2010.

⁶ An entity is a non-individual that owes an outstanding improper payment. The term entity excludes an individual acting in either a personal or commercial capacity (that is, a sole proprietor) and Federal, State, and local government agencies. *Id.* at Section C4)n), *How should agencies identify entities that have received the greatest amount of outstanding improper payments in high-priority programs?*, page 22.

⁷ *Id* at Section C3), page 17.

STEWARDSHIP REVIEWS

The Office of Quality Performance (OQP) conducts stewardship reviews to examine the non-medical elements in the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs related to the payment accuracy and entitlement/eligibility of benefit payments made during a sample period. Each month, OQP selects a statistical sample of OASDI beneficiaries who received a payment(s) during the review period. For each sample selected, the beneficiary or representative payee is interviewed; collateral contacts are made, as needed; and all non-medical factors of entitlement are redeveloped as of the current sample month. The findings are input into a national database for analysis and report preparation.

IMPROPER PAYMENTS

Each year, the Social Security Administration (SSA) reports payment accuracy rates for the OASDI and SSI programs based on its stewardship reviews. The Agency uses these reviews to report on the accuracy of benefit payments. Each year, SSA reports over- and underpayments from its stewardship reviews of non-medical aspects of the Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and SSI programs. In accordance with OMB's guidelines implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA),⁸ SSA reports as improper those payments that result from (1) its mistake in computing the payment, (2) its failure to obtain or act on available information affecting the payment, (3) a beneficiary's failure to report an event, or (4) a beneficiary's incorrect report.

SSA issued its four high-dollar reports to the OIG on January 31, April 30, July 19, and October 23, 2012 for the quarters ended December 31, 2011 and March 31, June 30, and September 30, 2012, respectively. Based on its sample of annual payment accuracy reviews from a representative sample of OASDI and SSI benefit payment cases, the Agency did not report any instances that met the definition of a high-dollar overpayment for the Fiscal Year (FY) 2012 period October 1, 2011 through September 30, 2012.

RESULTS OF REVIEW

We reviewed reports on quarterly high-dollar overpayments for the quarters ended December 31, 2011, and March 31, June 30, and September 30, 2012 to ensure the Agency implemented a methodology for identifying high-dollar overpayments that detected overpayments and addressed all the Executive Order's requirements. SSA's methodology for identifying high-dollar overpayments was approved by OMB; however, the Agency did not report all cases identified by this methodology because of a difference in interpretation of how a case met the Executive Order requirements.

⁸ Pub. L. No. 107-300, 116 Stat. 2350 (codified as amended in 31 U.S.C. § 3321 note).

AGENCY'S METHODOLOGY FOR IDENTIFYING HIGH-DOLLAR OVERPAYMENTS

We reviewed the methodology the Agency used to identify high-dollar overpayments to determine whether the method detected overpayments that met the Executive Order's criteria. We gained an understanding of how the Agency used the results from the stewardship reviews in determining whether any cases met the criteria for a high-dollar overpayment. We also reviewed the Agency's support for the stewardship reviews that were analyzed for each quarter and noted two cases that appeared to have met the Executive Order criteria. We also noted that although the stewardship reviews provide adequate results for determining the accuracy of payments, the data obtained during the reviews provide limitations for properly analyzing cases as part of the reporting of high-dollar overpayments.

Stewardship Sample Period Usually Included Only 1 Month of Payment Data

SSA received clarifications from OMB on April 27 and June 2, 2010 for reporting high-dollar improper overpayments. OMB stated, ". . . that SSA should review improper overpayments⁹ identified during stewardship reviews (and any other relevant processes), and, as needed, report quarterly that either no payments were identified, or any payments that are identified." OMB acknowledged that "SSA stated that it is highly unlikely that the agency would identify improper overpayments to individuals, including via its stewardship reviews in SSI that would meet the criteria in the Executive Order's implementing guidance...." During, or shortly after the end of each FY, OQP conducted stewardship reviews of the OASDI and SSI payments issued in that FY.

OQP bases its stewardship reviews on a monthly sample selection from all OASDI beneficiaries who were receiving a payment(s) during the review period and were in current pay status during the sample period. The SSI sample is drawn from all SSI recipients who received a payment during the FY regardless of their current pay status. For example, for SSI, if the month sampled was August, the sample period would have been July 2 through August 1. The OASDI sample reviews all payments on a Social Security number made in a calendar month. For the FY 2011 stewardship reviews, approximately 88 OASI, 46 DI, and 354 SSI cases were reviewed each month.

Once a case is sampled, the Electronic Quality Assurance (eQA) system calculates the recurring and retroactive payments¹⁰ for the sample period. The eQA system assists OQP in overseeing the completeness and accuracy of OASDI and SSI claims. The sample dollars can be adjusted during the review if they are incorrect. The data included in the system reflect the payments that were issued only in the sample period and therefore may not reflect the total benefit payments and/or overpayments that

⁹ SSA distinguishes an improper payment from an overpayment using the definition agreed on with OMB. If a payment is considered avoidable, it is characterized as improper. See Appendix C for the definition of improper.

¹⁰ Recurring payments are regular monthly payments and a retroactive payment is a payment issued during the sample period which is for a month(s) before the sample month.

occurred in a quarter for that case. For example, in the SSI review, if a case was sampled in August 2012, any recurring or retroactive payments made on that case from July 2 through August 1 were calculated by eQA and included in the system. The sample dollars would be verified during the review and adjusted, if necessary. The amount of payments issued to the beneficiary in the remainder of the quarter (that is, July 1 and August 2 through September 30) would not be included in eQA. Therefore, the data reviewed for reporting on quarterly high-dollar overpayments usually do not include the total benefit payments and/or overpayments to a beneficiary or recipient that occurred in the entire quarter. Since stewardship reviews usually include payment amounts for one month and do not include payments actually made for all 3 months in a quarter, the Agency may not identify high-dollar overpayments.

Stewardship Review Results Include Payment Data from Previous Quarters

For the high-dollar reports issued in the quarters ended December 31, 2011 and March 31, June 30, and September 30, 2012, SSA used the results documented in the eQA system for the sample cases cleared during the reporting period.¹¹ For example, if a case was sampled in April 2012, but the review was not completed until September 2012, the payment data for the sample period March 2 through April 1 would be included in the review for the quarter ended September 2012. According to OQP, it is not possible to provide findings for cases sampled in each quarter because the field sites have until the end of January to clear cases sampled for the previous October through September, and the consistency review of these cases is not completed until the end of February. Further editing and review of anomalies continue throughout most of March. Therefore, in some cases, OQP may have to wait over 1 year before the case is fully completed.

We reviewed the supporting documentation OQP provided for the quarters ended December 31, 2011 and March 31, June 30, and September 30, 2012 to determine the number of cases that were included in the analysis and sampled and cleared in the respective quarters. Based on this support, in total for FY 2012 quarters, only 9 percent of OASDI and 6 percent of SSI cases included in the review were sampled and cleared during the same FY 2012 quarter. Because stewardship cases can take several months to clear, the data reviewed for the high-dollar overpayment reports under the Executive Order will typically include payments that relate to prior quarters. Therefore, since over 93 percent of the data reviewed in the FY 2012 quarters related to a previous period, only a small percentage of payments issued in the FY 2012 quarters was included in the analysis for the high-dollar report. SSA stated, “. . . the stewardship review was never intended to capture quarterly payment data”; therefore, as was previously stated, it is highly unlikely that the Agency would identify improper overpayments that would meet the criteria in the Executive Order’s implementing guidance.

¹¹ Per OQP, the term “cleared” is used to define the point when the OQP field site has input its review findings into eQA.

Potential High-Dollar Cases Identified in Agency's Support

We obtained the Agency's supporting documentation for the stewardship cases analyzed for each quarter in FY 2012. We noted one case in the March quarter and one case in the September quarter that appeared to have met the Executive Order criteria based on our interpretation that a high-dollar overpayment is in excess of 50 percent of the correct amount that should have been paid to the beneficiary. Because SSA had interpreted this section of the Executive Order differently and believed that the overpayment should have been in excess of 50 percent of what was paid to the beneficiary, these cases were not reported. As of December 12, 2012, the Agency was able to provide documentation showing that the overpayment amounts for both cases had been refunded to the Agency and therefore no additional reporting or tracking of these cases is necessary. We have requested clarification from OMB on the proper interpretation of the Executive Order to ensure all applicable cases are included in future reports. Refer to Appendix D for an example of how the case from the March 2012 quarter was interpreted.

OIG IDENTIFIED POTENTIAL HIGH-DOLLAR OVERPAYMENTS USING AN ALTERNATIVE METHOD

In two previous reviews,¹² we designed a methodology for identifying high-dollar overpayments by using data from one segment of the Master Beneficiary Record (MBR); Recovery of Overpayments, Accounting and Reporting (ROAR) System; and SSR. We focused on OASDI beneficiaries and SSI recipients who received single or cumulative payments in excess of \$5,000 for each quarter.¹³ We matched the populations against the overpayment data on the ROAR and SSR to identify beneficiaries and recipients who may have met the payment criteria in the Executive Order and had an overpayment established on their record.

We further analyzed the populations to identify individual cases that met the criteria for reporting as a high-dollar overpayment according to the Executive Order. Based on our analyses, we identified 10 OASDI and 5 SSI cases that potentially met the Executive Order's criteria. For each of these cases, we determined the beneficiary or recipient obtained payments in excess of \$5,000 in one of the quarters from October 2009 through September 2011.¹⁴ During the quarter, each beneficiary or recipient also had an overpayment in excess of 50 percent of the correct amount of the intended payment for that quarter.

¹² SSA OIG, *The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520* (A-15-10-21142), December 2010, and SSA OIG, *The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520 in Fiscal Year 2011* (A-15-11-01140), December 2011.

¹³ For our December 2010 review, we analyzed payment data for October 2009 through June 2010. For our December 2011 review, we analyzed payment data for October 2010 through September 2011.

¹⁴ We obtained payment data for each quarter except September 2010 due to time limitations.

As a result of our analyses for both reviews, SSA reviewed the 15 cases and confirmed that 9 OASDI cases and 1 SSI case may have met the criteria to potentially be reported as a high-dollar overpayment under the Executive Order. SSA stated it could not definitely determine these payments were improper unless it conducted a full stewardship review for these cases that verified all non-medical factors of eligibility. SSA reiterated that OMB fully supported the methodology it used each quarter to identify high-dollar improper overpayments. SSA recognizes this method will not capture all high-dollar overpayments; however, when it identifies a case, the case is unlikely to provide further insight into the causes of OASDI and SSI improper payments. Because SSA's methodology for identifying and reporting high-dollar overpayments had not changed since we conducted the two previous reports, we did not conduct a data analysis for this review.

REQUIREMENTS OF EXECUTIVE ORDER ADDRESSED BY THE AGENCY

In March 2010, OMB issued guidance¹⁵ for implementing the requirements of the Executive Order 13520. We reviewed the Accountable Official's Quarterly High-Dollar Overpayment Reports for the quarters ended December 2011 and March, June, and September 2012 to ensure SSA addressed all of the Executive Order's requirements.

Required Information Included in Reports

According to OMB's guidance, all agencies with programs susceptible to significant overpayments under the IPIA are required to submit reports on high-dollar overpayments. The report shall

1. list all high-dollar overpayments identified by the agency during the quarter;
2. describe whether each high-dollar overpayment was made to an entity or individual, and the city/county and State where that entity or individual was located;
3. list the program responsible for each high-dollar overpayment error;
4. describe any actions the agency has taken, or plans to take, to recover high-dollar overpayments (the report should address overall actions and strategies and not focus on individual payments); and
5. describe any actions the agency will take to prevent overpayments from occurring in the future (the report should address overall actions and strategies, and not focus on individual payments).¹⁶

Agencies shall complete, submit, and publicize these reports by the last day of each quarter. OMB clarified this due date in June 2010, stating, ". . . future high-dollar quarterly reports can be submitted up to 30 days after the end of the quarter (for

¹⁵ OMB Circular A-123, *Management's Responsibility for Internal Control, Requirements for Implementing Executive Order 13520: Reducing Improper Payments* (Appendix C, Part III), March 22, 2010.

¹⁶ OMB Circular A-123, Part III (C)(3)(g).

example, for the quarter ending June 30th agencies should submit this report to their OIG and OMB by July 30th, by October 30th for the quarter ending September 30th, etc.).”

The guidance also states that if an agency has no high-dollar overpayments during the reporting period, it need only send a letter informing the Controller of OMB that the agency had no high-dollar overpayment errors.

Based on the methodology SSA used for the quarters ended December 31, 2011 and March 31, June 30, and September 30, 2012, SSA did not report any high-dollar overpayments that it deemed reportable based on its interpretation of the Executive Order. The Agency submitted emails to the Controller of OMB on January 31, April 30, July 19, and October 23, 2012, stating that, based on the annual payment accuracy reviews from a representative sample of OASDI and SSI cases, no cases met SSA’s definition of a high-dollar overpayment. All four of these reports were submitted to the OIG and OMB timely.

Website Submission

According to OMB guidance, within 15 days of submitting the quarterly high-dollar report to the OIG, agencies shall make these reports available to the public by, at a minimum, submitting them to the improper payments Website.¹⁷ If the agency has no high-dollar overpayments for that period, it shall submit a “no report” status to the improper payments Website. On January 31, April 30, July 19, and October 23, 2011, the Agency submitted emails to OMB stating that no improper payments were identified during each quarter. Although the Agency is required to submit these reports to the improper payment Website, OMB has acknowledged that the Website does not yet have the functionality to allow agencies to post the high-dollar reports to the Website but encourages Agencies to post reports to their own sites. Therefore, to ensure the public can view these reports, SSA updated its Website¹⁸ with information relating to high-dollar overpayments for the quarters ended December 2011 and March, June, and September 2012 within 15 days of submitting the report to the OIG.

OMB Guidance

In the March 2010 OMB-issued guidance, it states that an agency should report high-dollar overpayments that are in excess of 50 percent of the correct amount of the intended payment where the total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter.¹⁹ SSA would report high-dollar improper overpayments when an overpayment was recorded on a beneficiary’s record during the same quarter the beneficiary’s payment(s) exceeded \$5,000. For example,

¹⁷ <http://www.paymentaccuracy.gov>.

¹⁸ <http://www.ssa.gov/improperpayments/>.

¹⁹ OMB Circular A-123, Part III (C)(3)(e).

if, during SSA's stewardship reviews, it found an improper overpayment on a beneficiary's record in August 2012, and the beneficiary's payment(s) exceeded \$5,000 for the quarter July 1 through September 30, 2012, they would report this improper overpayment in the September 2012 quarterly high-dollar overpayment report if it exceeded 50 percent of the correct payment.

OMB guidance further states that the high-dollar overpayment report shall, ". . . list all high-dollar overpayments identified by the agency during the quarter."²⁰ We confirmed with OMB that, ". . . high-dollar improper payments should be reported regardless of when the payment was made." For example, in our previous review²¹ of the FY 2011 quarters, we identified 40 overpayments that were recorded on the beneficiary's record in FY 2011. These overpayments related to benefit payments from 2010. However, the overpayments were not recorded on the beneficiary's records until FY 2011. In each case, the beneficiary's payments exceeded \$5,000 as a single payment or in cumulative payments for at least one quarter in FY 2010, and the overpayment exceeded 50 percent of the correct amount of the intended payment in 2010, further meeting the criteria of a high-dollar overpayment. These beneficiary's overpayments could have been reported in the FY 2011 quarterly reports because the Agency identified them during a FY 2011 quarter. Although these cases were identified using a different methodology than the Agency, it is unlikely that these types of cases would be identified during the stewardship reviews since the reviews reflect only payment data for the sample period and would likely not include payments from a previous period. The Agency should ensure that it reports any high-dollar overpayments identified during the stewardship reviews even if the payments relate to a different period.

CONCLUSION

Overall, our review determined that, although the Agency addressed all requirements of Executive Order 13520, based on the results obtained using the stewardship sample cases, the methodology for identifying high-dollar overpayments did not detect existing overpayments the Agency deemed reportable based on SSA's interpretation of the criteria of the Executive Order. While the data obtained through the stewardship reviews provide adequate results for payment accuracy, the data obtained during the reviews provides limitations for properly analyzing cases as part of the reporting of high-dollar overpayments. The payment information used for reviewing high-dollar overpayments for the quarters ended December 31, 2010 and March 31, June 30, and September 30, 2011 only included payments made during a 1-month period, which in most cases was outside the quarter reported on. By using data that do not include payments actually made for all 3 months in a quarter, the Agency may not identify high-dollar overpayments. Additionally, because stewardship cases can take several months to be cleared, the data reviewed for the high-dollar reports will typically include mostly payments that relate to prior quarters.

²⁰ OMB Circular A-123, Part III (C)(3)(g).

²¹ *The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520 in Fiscal Year 2011* (A-15-11-01140), December 2011.

Our review also determined that, although the Agency reported no high-dollar overpayments during the four quarters under review, one case sampled in the March quarter and one case sampled in the September quarter appeared to have met the Executive Order criteria. During our two previous reviews we also concluded based on our data analysis that high-dollar overpayments may have been identified if SSA had employed a methodology focused on analyzing data extracts from the MBR, ROAR, and SSR. The Executive Order requires that agency heads submit the quarterly reports on high-dollar overpayments to boost transparency among agencies and the public.²² The Agency did not take additional steps to identify and report on the high-dollar overpayments using other information or report on cases identified that potentially met the Executive Order criteria.

Going forward, the Agency should increase transparency and report any cases that could potentially meet the requirements of the Executive Order identified through the stewardship reviews.

OTHER MATTERS

During our review of OQP's stewardship cases for the September 2012 quarter, we observed a case where a recipient received approximately \$6,892 in the sample period, February 2 through March 1, 2012, and had an overpayment around \$826 noted because of the stewardship review. We reviewed this case further to determine whether it met the criteria for high-dollar overpayment reporting. During this review, we found that \$6,066 of the amount was actually paid to the recipient to clear an underpayment that had been incorrectly recorded in December 2011. In September 2012, the Agency sent the recipient an overpayment letter, requesting repayment of the \$6,066, which the recipient repaid later in the month. During discussions with OQP, we learned that the \$6,066 payment should not have been made directly to the recipient; rather, the Agency should have performed an accounting adjustment to the record to clear the underpayment. We believe the Agency needs to examine its controls around the process for making accounting adjustments to individual records to ensure beneficiaries and recipients are receiving correct payment amounts.

AGENCY COMMENTS

The Agency disagreed with our conclusions that the two cases should have been reported as high-dollar overpayments. The Agency is awaiting OMB response for further clarification of what constitutes a high-dollar overpayment. The Agency is also sending a request for OMB to clarify what dollar amount we would report and track in the high-dollar report if a case does meet the OMB definition. See Appendix E for the Agency Comments.



Patrick P. O'Carroll, Jr.

²² OMB Memorandum M-10-13, *Issuance of Part III to OMB Circular A-123, Appendix C*, March 22, 2010.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Defining Erroneous Payments

[APPENDIX D](#) – Interpretation of March 2012 Case

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[APPENDIX F](#) – OIG Contacts and Staff Acknowledgments

Acronyms

APP	Annual Performance Plan
CIGIE	Council of Inspectors General on Integrity and Efficiency
DI	Disability Insurance
eQA	Electronic Quality Assurance
Fed. Reg.	Federal Register
FY	Fiscal Year
IPIA	<i>Improper Payments Information Act of 2002</i>
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQP	Office of Quality Performance
Pub. L. No.	Public Law Number
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
U.S.C.	United States Code

Scope and Methodology

To accomplish our objectives, we:

- Reviewed the Accountable Official's Quarterly High-Dollar Overpayment Reports issued pursuant to Executive Order 13520, *Reducing Improper Payments*, for the quarters ended December 2011 and March, June, and September 2012.
- Reviewed applicable Federal laws.
- Reviewed applicable Office of Management and Budget guidance.
- Reviewed the Fiscal Year (FY) 2011 Stewardship Review Reports for the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs.
- Requested data from the Office of Quality Performance to support the cases reviewed for the quarterly high-dollar overpayment reports.
- Analyzed the narrative of the Accountable Official's Quarterly High-Dollar Overpayment reports to ensure compliance with all requirements of the Executive Order.

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

We performed our review from October through November 2012 in Baltimore, Maryland. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Defining Erroneous Payments¹

The following table identifies the types of Social Security Administration (SSA) payments, programs affected, current reporting status, reasons for the payments, and their classification. There are two classifications.

- Unavoidable - Payments resulting from legal or policy requirements. These payments are not considered erroneous.
- Avoidable - Payments that should be reflected in the erroneous payment estimate because they could be reduced through changes in administrative actions.

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments following a cessation of eligibility due to a continuing disability review	DI ² and SSI ³	Not currently reflected as an error	When SSA is required by law to make payments during the appeals process, these payments are not erroneous.	Unavoidable
Payments made under the Goldberg-Kelly due-process Supreme Court decision	SSI	Reported as an unavoidable erroneous payment in the APP ⁴	When due process requires that SSI payments continue, although the Agency has determined that a payment reduction or termination is in order, such payments are not erroneous.	Unavoidable
Payments made incorrectly because of program design	SSI	Reported as an unavoidable erroneous payment in the APP	The law requires that SSI payments be made on the first of the month based on projected income for that particular month. Changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Because SSA cannot prevent the overpayment from being made, this situation should not	Unavoidable

¹ Table provided by SSA Office of Financial Policy and Operations in July 2010.

² Disability Insurance (DI).

³ Supplemental Security Income (SSI).

⁴ Annual Performance Plan (APP).

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
			be reflected in the Agency's erroneous payment rate.	
Payments issued after death	OASI ⁵ , DI, and SSI	Not currently reflected as an error ⁶	Dollars released after death (either electronically or in the form of a paper check) that are reclaimed by the Department of the Treasury or returned unendorsed, should not be reflected in the Agency's erroneous payment rate. Conversely, payments made after death that are improperly cashed or withdrawn, and are subject to overpayment recovery, should be reported.	Unavoidable except for fraud or misuse
Non-receipt of payment	OASI, DI, and SSI	Not currently reflected as an error	Duplicate payments issued in accordance with the Robinson-Reyf Court decision are unavoidable and should not be reflected in the Agency's reports on erroneous payments. The only exception is duplicates incorrectly sent to abusers.	Unavoidable except for fraud or misuse
Payments based on medical eligibility	DI and SSI	Not currently reflected as an error	Payments are not erroneous if they are the result of a medical improvement review standard or a situation where the beneficiary would have been ineligible had the law permitted retroactive ineligibility.	Should not be included in the erroneous payment estimate
Payments made for OASI and DI beneficiaries based on earnings estimates	DI and OASI	Not currently reflected as an error	When program design requires that the Agency make payments based on estimated earnings, these payments should not be considered erroneous.	Unavoidable
Undetected error	OASI, DI, and SSI	Not currently reported as an error	The Agency should not reflect undetected error in its erroneous payment rate unless it has evidence that a specific type of erroneous payment was made.	Should not be included in the erroneous payment estimate
Duplicate payments to attorneys, vendors, and employees	Administrative Expense	Not currently reported as an error	Systems do not capture when the overpayment occurs; however, this type of error does not meet the reporting threshold.	Avoidable

⁵ Old-Age and Survivors Insurance (OASI).

⁶ Per Office of Quality Performance (OQP), these payments can be recorded as erroneous if not returned timely per the stewardship review protocol.

Interpretation of March 2012 Case

Scenario:

For the quarter ended March 31, 2012, the Office of Quality Performance (OQP) identified a Supplemental Security Income recipient who was paid \$5,253.00 during the stewardship sample month May 2011. An overpayment of \$1,797.28 was established on the record as a result of the error identified during the stewardship review. The recipient's correct payment for May 2011 should have been \$3,455.72 (which is equal to the actual payment of \$5,253.00 less the overpayment identified of \$1,797.28).

OQP's Interpretation of Guidance:

OQP believes a high-dollar overpayment would be reported when the amount is in excess of 50 percent of what was paid to the recipient. Using the scenario above, this amount would be 50 percent of \$5,253.00, the amount the beneficiary actually received, or \$2,626.50. Since the overpayment of \$1,797.28 is less than this amount, it does not meet the criteria for reporting high-dollar overpayments.

OIG Interpretation of Guidance:

We believe a high-dollar overpayment would be reported when the amount is in excess of 50 percent of the correct amount that should have been paid to the recipient. Using the scenario above, this amount would be 50 percent of \$3,455.72, the amount the beneficiary should have received, or \$1,727.86. Since the overpayment of \$1,797.28 is greater than this amount, it meets the criteria for reporting high-dollar overpayments.

We have requested clarification from the Office of Management and Budget on the proper interpretation of the Executive Order and are awaiting response.

Appendix E

Agency Comments

December 21, 2012

Subject: OIG Draft Report, "The Social Security Administration's Reporting of High-dollar Overpayments Under Executive Order 13520 in Fiscal Year 2012"

Thank you for the opportunity to review the subject report. While the report makes no recommendations, we have an overarching comment. The Office of Management and Budget (OMB) previously approved a methodology for us to conduct our quarterly high-dollar reviews, and we perform those reviews accordingly. We do not agree with your interpretation that we are not following the OMB-approved methodology. We will continue to conduct the high-dollar reviews using the existing methodology. In addition, we offer several comments as they relate to specific sections of the report in the attached track changes document. We provided minor technical comments at the staff level and have no additional comments.

Tina M. Waddell

Appendix F

OIG Contacts and Staff Acknowledgments

OIG Contacts

Victoria Vetter, Director, Financial Audit Division

Judith Kammer, Audit Manager, Financial Audit Division

Acknowledgments

In addition to those named above:

Kelly Stankus, Senior Auditor

Lori Lee, Senior Auditor

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-15-13-13068.

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

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