
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADMINISTRATIVE
WAGE GARNISHMENT**

September 2008

A-13-08-28009

AUDIT REPORT



Mission

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

Authority

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

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

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

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

Vision

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



SOCIAL SECURITY

MEMORANDUM

Date: September 18, 2008 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Administrative Wage Garnishment (A-13-08-28009)

OBJECTIVE

The objective of our audit was to assess the Social Security Administration's (SSA) implementation of administrative wage garnishment (AWG).

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs under Titles II and XVI of the *Social Security Act*,¹ respectively. Under the OASDI program, monthly benefits are paid to eligible retired or disabled workers and their families as well as survivors of deceased workers. SSI is a cash assistance program that provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.

SSA defines an overpayment as the total amount an individual received for a period that exceeded the total amount that should have been paid for that period. When an overpayment is made, it is a debt owed the Government.² The Agency defines delinquent debt as an uncollected overpayment on the record of an individual who is not currently receiving monthly benefit payments.³ The *Debt Collection Improvement Act of 1996* authorizes Federal agencies to use AWG to collect delinquent debts.⁴

¹ The *Social Security Act* §§ 201 *et seq.*, and 1601 *et seq.*, 42 United States Code §§ 401 *et seq.*, and 1381 *et seq.*

² SSA, Program Operations Manual System (POMS), GN 02201.001.A.

³ SSA, POMS, SM 01310.002.

⁴ Public Law 104-134 § 31001 (o) (1).

Through AWG, a Federal agency can order an employer to withhold amounts from the wages of an employee who owes a debt and pay those amounts to the agency. AWG authority applies to OASDI and SSI debts.⁵

In implementing AWG, SSA uses its External Collection Operations (ECO) system to select, control, and monitor OASDI and SSI debt for AWG.⁶ The ECO system performs an automated selection of delinquent debtors⁷ for AWG. Debtors are selected based on certain criteria. For example, debtors must be 18 years or older, not be active participants in SSA's Ticket to Work program, and have a past-due debt of \$200 or more.

Once selected, the ECO system issues notices to debtors explaining their debt is eligible for AWG and due process rights.⁸ After the notices are mailed, the ECO system screens the Master Earnings File (MEF) to determine whether debtors are employed and earn at least \$25,000 a year. At the end of the 60-day due process period, if all conditions for AWG are met, SSA sends employers AWG packages.⁹ The packages include a garnishment order requesting employers to withhold a maximum of 15 percent of disposable pay¹⁰ from debtors' pay until the debts are recovered or resolved.

SSA implemented AWG in two phases. The first phase included prospective debts, which are debts that became delinquent after January 2005. SSA performed the first AWG selection on January 25, 2005 and sent notices to the delinquent debtors on February 8, 2005. The second phase was implemented in August 2006 and included backlogged debts (debts delinquent before January 2005).

⁵ Since SSA uses the Federal Salary Offset program to collect delinquent debts from its employees, this report does not include collection efforts under the Federal Salary Offset program.

⁶ SSA, POMS, GN 02201.040 A.3.

⁷ A debtor can be an individual that was either entitled or not entitled to OASDI or SSI payments, such as a representative payee.

⁸ Individuals subject to AWG have various due process rights, such as the right to request a review of the debt, inspect and copy SSA records about the debt, and request a waiver.

⁹ The AWG Employer Package includes the following documents: (1) Letter to Employer and Important Notice to Employer; (2) Wage Garnishment Order; (3) Wage Garnishment Worksheet; (4) Employer Certification; and (5) Scannable Payment Coupons.

¹⁰ According to SSA, POMS, GN 02201.040.A.2, disposable pay is that part of the worker's total compensation (including, but not limited to, salary or wages, bonuses, commissions, and vacation pay) from an employer remaining after deduction of health insurance premiums and any other amounts required by law to be withheld. Amounts required to be withheld include deductions such as Social Security contributions and other withholding taxes but do not include amounts withheld under court order.

In Fiscal Year 2006, SSA issued about \$585.3 billion in benefit payments to over 53 million people. As of September 30, 2006, the total outstanding debt owed to the Agency was approximately \$13.7 billion, of which about \$3.3 billion (24 percent) was delinquent. As of January 29, 2007, there were 7,381 debtors¹¹ subject to SSA's AWG debt collection tool, with overpayments totaling about \$102.7 million. The Agency had received about \$1.6 million in garnishment payments for these debtors.

To identify OASDI and SSI delinquent debtors for whom AWG was or could be used, we obtained two comprehensive electronic data extracts. The data extracts were created using information recorded in the following records and systems between July and October 2007: (1) Master Beneficiary Record; (2) Supplemental Security Record; (3) MEF; (4) Modernized Overpayment and Underpayment Reporting system; (5) Recovery of Overpayments Accounting and Reporting system; and (6) ECO system.

The OASDI data extract identified 4,239 delinquent debtors, and the SSI extract identified 185 delinquent debtors from 1 segment of the OASDI and SSI debt populations. The OASDI and SSI debtors had delinquent debt totaling approximately \$39 million as of August 2007 and \$804,000 as of July 2007, respectively. Each data extract identified two groups of delinquent debtors: (1) debtors for whom SSA used its AWG authority to collect debts owed the Agency and (2) debtors who appeared to meet SSA's requirements for AWG but for whom SSA did not use AWG to collect a debt owed the Agency.

We randomly selected and reviewed a sample of 166 delinquent debtors. Specifically, we reviewed 66 debtors (50 OASDI and 16 SSI) to determine the extent to which SSA complied with its policies and procedures when it used AWG. We reviewed an additional 100 debtors (50 OASDI and 50 SSI) to determine (a) whether the debtors met the Agency's requirements for use of the AWG debt collection tool and (b) why AWG was not used to collect the delinquent debt. See Appendix B for a discussion of the Scope and Methodology, and Appendix C for the Sampling Methodology and Results.

RESULTS OF REVIEW

Generally, the Agency complied with its policies and procedures when it used AWG to collect OASDI and SSI delinquent debt. However, for 5 of 50 OASDI debtors reviewed, we found 3 system-related problems and 2 instances in which the debtors' employers were uncooperative or non-responsive. We also found SSA did not always notify employers that delinquent OASDI and SSI debtors were selected for AWG.

¹¹ This reflects the total number of debtors who were active for AWG as of January 29, 2007. Debtors with an "active" AWG status indicates all AWG requirements were met and the AWG package had been sent to the debtor's employer to begin garnishing wages.

DELINQUENT DEBT COLLECTION COULD BE IMPROVED

SSA generally complied with its AWG policies and procedures for the selection of debtors, the notification of debtors and employers, monitoring employer responses, and controlling AWG update actions. However, SSA could have improved its collection of certain delinquent debt when AWG was used.

We reviewed 66 debtors for whom SSA used its AWG authority to collect debts owed to the Agency. Of the 50 OASDI and 16 SSI delinquent debtors reviewed, we found the Agency complied with its policies and procedures for 45 OASDI and all 16 SSI delinquent debtors. For the remaining five debtors, we found (a) three system-related problems and (b) two instances in which the debtors' employers were uncooperative or non-responsive to the garnishment order.

System-related Problems Prevented the Collection of OASDI Debt

We found problems with the Agency's ECO system that prevented SSA from collecting delinquent debt from three debtors using AWG. For two debtors, we found the ECO system did not always generate notices and alerts to contact employers, as required by policy. For the remaining debtor, we found the system limited the Agency's ability to collect delinquent debt when a portion of the debt did not meet SSA requirements.

One debtor had delinquent debt totaling approximately \$16,713. In May 2005, the ECO system should have issued a notice to the debtor's employer to resume AWG-related actions.¹² However, as of January 2008, the required notice had not been sent. Information in SSA's records indicated the debtor met requirements to be considered for AWG. Wages were recorded for the debtor for Calendar Years (CY) 2005 through 2007. We believe if the required notice had been sent timely, SSA could have used AWG to recover the delinquent debt.

In the second instance, the ECO system did not generate an alert to SSA's debt management staff to contact an employer, as required. The employer for an OASDI debtor had not responded to the Agency's previous AWG notices. After the second follow-up notice was sent, the ECO system should have generated an alert notifying staff to contact the employer by telephone. The alert should have been issued in February 2007. As of January 2008, the alert had not been issued. This individual's delinquent debt totaled approximately \$263.

Lastly, we found the ECO system would not allow debt collection when a portion of the debt did not meet SSA requirements. We found a debtor had delinquent debt totaling \$12,086. This debt was comprised of two OASDI overpayments—\$600 and \$11,486. An installment agreement existed for the debtor to repay SSA the \$11,486. However, the debtor failed to make payments for 2 consecutive months. Agency policy allows the use of AWG if an installment payment arrangement exists, but the debtor fails to make

¹² SSA, POMS, GN 02201.040 D.

a payment for 2 consecutive months.¹³ However, the debtor's record also indicated a waiver/reconsideration decision had been pending since March 2006 for the \$600 overpayment. SSA does not allow the use of AWG if a waiver/reconsideration is pending. Since the ECO system performs debt collection activity based on individual debtors, not specific overpayments that comprise the total amount of debt, action was not taken to collect the delinquent debt. Wages were recorded for the debtor for CYs 2005 through 2007. If this system limitation did not exist, we believe SSA could have used AWG to recover the \$11,486 delinquent debt.

In March 2008, we discussed these debtors with Office of Retirement and Survivors Insurance Systems (ORSIS) staff, who stated the reason the notice had not been generated by the ECO system could not be determined. In addition, Agency staff reported, "The PCACS [Processing Center Action Control System] alert files are only available for the last 12 months, so we can't verify for sure that the alert was produced. However, when the programmer looks at the ECO master [file] for this case it shows that the AWG Pending Alert field was set to '00' (No alert) on 2/25/07...With our release last month, we started posting a transaction in the history to show when we produced the alerts." Subsequently, in July 2008, Agency staff asserted "...the presence of the date 02/25/07 in the AWG Pending Alert Date on the ECO master for the account in question indicates that the alert was produced on that date when the AWG Pending Alert was set to '00'." However, no additional documentation was provided.

Further, staff stated the "...ECO [system] processes under the rule of all or nothing when it comes to the debts for [sic] a debtor." In May 2008, ORSIS staff reconfirmed that, in the future, the Agency plans to base AWG eligibility on individual debts. ORSIS staff plans to have the capability to separate debtors' total overpayments to control collection activity for each debt. The staff stated ORSIS will address this issue when the Office of Payment and Recovery Policy (OPRP) requests a systems change and resources are available. However, at this time, SSA is not actively pursing any system-related changes to address this issue. SSA should consider monitoring specific overpayments to collect additional delinquent debt it is owed.

Subsequently, in September 2008, the Agency stated, "...we will discuss the feasibility of such a change, including the need to apply the change consistently to both the Supplemental Security Income (SSI) and the Retirement, Survivors, and Disability Insurance (RSDI) programs as well as to the Administrative Wage Garnishment (AWG) and other External Collection Operation (ECO) applications (i.e., credit bureau reporting and Treasury Offset Program (TOP). Further, "...although we are looking at this area, there are currently no plans underway to makes changes. Any decision to pursue changes would be dependent upon our ability to allocate scarce systems resources."

¹³ Our audit of Title II Installment Agreements relates to this issue. We found SSA did not pursue other recovery methods available, for example, AWG and Treasury Offset Program, for all eligible cases.

Debtors' Employers Were Uncooperative or Non-Responsive

We found the employers of two delinquent debtors were uncooperative or non-responsive¹⁴ to the Agency's efforts to use AWG. Delinquent debt for these debtors totaled approximately \$10,400. For these debtors, we found garnishment orders were sent to the employers in December 2006. In addition, the Agency sent two follow-up notices and generated an alert to contact the employers by telephone. However, as of January 2008, SSA had not received responses from the employers. SSA policy states

The law and regulations authorize an Agency to sue any employer for any amount that the employer unlawfully refused to withhold from the disposable pay after the employer receives an AWG order. The employer can also be held liable for attorney fees, cost of the lawsuit and (in the court's discretion) punitive damages. We will not sue the employer before we terminate collection efforts against the debtor, unless earlier filing is necessary to avoid expiration of any applicable statute of limitations period.¹⁵

Although law and regulations give SSA authority for legal action, the Agency has not used such authority. We discussed the uncooperative or non-responsive employers with staff from the Office of the Deputy Commissioner for Budget, Finance and Management's OPRP. Staff reported discussions with SSA's Office of General Counsel representatives had occurred, since April 2004, regarding the Agency's available options for addressing uncooperative or non-responsive employers. However, as of March 2008, the Agency had not decided to implement any new policies and procedures regarding such employers.

EMPLOYERS WERE NOT ALWAYS NOTIFIED WHEN DELINQUENT DEBTORS WERE SELECTED FOR AWG

SSA did not always notify employers that delinquent OASDI and SSI debtors were selected for AWG. We reviewed debtors who appeared to meet SSA's requirements for use of AWG, but AWG was not used to collect debts owed to the Agency. Of the 100 debtors reviewed, 50 OASDI and 50 SSI, we found 96 debtors did not meet the Agency's requirements for AWG. We found four delinquent debtors who met the Agency's AWG requirements, but SSA did not notify employers the debtors were selected for AWG.

Of the four delinquent debtors, two had OASDI debts totaling about \$53,100, and two had SSI debts totaling about \$3,200. The AWG packages for these debtors were not sent to their employers. As a result, the respective employers were not notified about the Agency's use of AWG. These debtors met AWG requirements when the

¹⁴ According to SSA POMS criteria GN 02201.042.D, if an employer refuses to cooperate, the employer's telephone number cannot be obtained, or a response is not received after three calls to the known telephone number, the employer's refusal to cooperate is recorded in SSA's Debt Management System.

¹⁵ SSA, POMS, GN 02201.040.A.10.

AWG packages should have been sent. As of April 2008, earnings information recorded for the OASDI debtors indicated both were employed in CY 2006. The SSI debtors had CYs 2006 and 2007 earnings information recorded in their records. We estimate SSA did not notify employers that about 700 delinquent OASDI debtors and about 120 delinquent SSI debtors had been selected for AWG.

We discussed these delinquent debtors with ORSIS staff who acknowledged production problems existed in the ECO system. The production problems, as explained by staff, pertained to notices issued to the four debtors. The notices were returned to the Agency as undeliverable. For three debtors, the ECO system established an ending date for the debtors' due process occurring far into the future. As a result, the AWG packages for these debtors were not scheduled to be sent to their employers until October 2073. For the remaining debtor, ORSIS staff reported a credit bureau's response that should have contained additional address information about the remaining debtor was either not received or processed correctly.

ORSIS staff stated the production problems had been recorded in SSA's Change, Asset, and Problem Reporting System. Further, staff stated the ECO system's draft functional requirements had been changed to correct these problems. In September 2008, the Agency stated "...we hope to have the system changes in place by the end of FY 2009."

CONCLUSION AND RECOMMENDATIONS

Overall, we found the Agency's implementation of AWG effective. Generally, SSA complied with its policies and procedures for AWG. However, we found instances where system-related issues prevented the use of AWG, problematic employers were not addressed, and employers were not always notified that delinquent OASDI and SSI debtors were selected for AWG. We believe SSA needs to determine whether the delinquent debtors identified during our review continue to meet the Agency's AWG requirements. As a result, we recommend SSA:

1. Assess the feasibility of updating the ECO system to enhance its ability to identify delinquent debt for collection through AWG.
2. Determine what actions should be taken when uncooperative or non-responsive employers impeded the Agency's efforts to collect delinquent OASDI debt using AWG.
3. Complete the functional requirements needed to correct the production problems identified during our review.
4. Determine whether the five OASDI and two SSI delinquent debtors we identified met AWG requirements, and if appropriate, use AWG to collect delinquent debts.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency provided a technical comment that we incorporated into our report, as appropriate. The full text of SSA's comments is included in Appendix E.

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

Patrick P. O'Carroll, Jr.

Appendices

[**APPENDIX A**](#) – Acronyms

[**APPENDIX B**](#) – Scope and Methodology

[**APPENDIX C**](#) – Sampling Methodology and Results

[**APPENDIX D**](#) – Administrative Wage Garnishment Eligibility Requirements

[**APPENDIX E**](#) – Agency Comments

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

Appendix A

Acronyms

AWG	Administrative Wage Garnishment
CY	Calendar Year
ECO	External Collection Operation
MBR	Master Beneficiary Record
MEF	Master Earnings File
MOUR	Modernized Overpayment and Underpayment Reporting
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OPRP	Office of Payment and Recovery Policy
ORSIS	Office of Retirement and Survivors Insurance Systems
POMS	Program Operations Manual System
ROAR	Recovery of Overpayments Accounting and Reporting
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record

Scope and Methodology

To accomplish our audit objective, we:

- Reviewed applicable Federal laws and regulations, pertinent parts of the Social Security Administration's (SSA) Program Operations Manual System and other criteria relevant to Administrative Wage Garnishment (AWG).
- Interviewed and conducted meetings with SSA officials.
- Obtained and analyzed electronic data extracts of information recorded in the Agency's Master Beneficiary Record (MBR), Supplemental Security Record (SSR), Master Earnings File (MEF), Modernized Overpayment and Underpayment Reporting (MOUR), Recovery of Overpayments Accounting and Reporting (ROAR), and External Collection Operations (ECO) systems. See Appendix C.
- Reviewed critical data elements in the MBR, SSR, MEF, MOUR, ROAR, and ECO systems for the selected sample of 166 delinquent debtors. See Appendix C.
- Determined whether SSA complied with its AWG policies and procedures for the selection of debtors, notification of debtors and employers as well as monitoring employer responses, and controlling AWG update actions.

We determined the electronic data used in this report to be sufficiently reliable given our audit objective and the intended use of the data. Further, any data limitations were minor in the context of this assignment, and the use of the data should not lead to an incorrect or unintentional conclusion. The electronic data used in our review were primarily extracted from the MBR, SSR, MEF, MOUR, ROAR, and ECO systems. We tested for completeness by reviewing the programming logic used for the data extract and analyzing the data extract for missing data fields, unrealistic values or dates, or illogical relationships between data fields. The accuracy of the data was tested by tracing individual data fields from the electronic data extracts to the information contained within the MBR, SSR, MEF, MOUR, ROAR, and ECO systems. We also tested the validity of the data. For example, we determined that data fields that should have numeric values had numeric characters.

The principal entities audited were the Offices of Retirement and Survivors Insurance, Systems, Applications and Supplemental Security Income Systems, and Financial Policy and Operations.

We performed our audit at SSA's Headquarters in Baltimore, Maryland, between January and April 2008. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sampling Methodology and Results

Sampling Methodology

We obtained electronic data extracts from the Recovery of Overpayments Accounting and Reporting (ROAR) and the Modernized Overpayment and Underpayment Reporting (MOUR) systems identifying individuals with Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) delinquent debts as of August and July 2007, respectively. For the individuals identified in the data extracts, we applied the Social Security Administration's (SSA) Administrative Wage Garnishment (AWG) selection criteria (see Appendix D).¹ We used information in SSA's Master Beneficiary Record (MBR), Supplemental Security Record (SSR), Master Earnings File, and External Collection Operations system to identify delinquent debtors who met the AWG selection criteria.

After applying the AWG selection criteria as screening requirements, two comprehensive data extracts were created that identified two sampling frames of debtors.

- The OASDI debt sampling frame consisted of 4,239 OASDI delinquent debtors who appeared to be eligible for AWG as of August 2007.
- The SSI debt sampling frame consisted of 185 SSI delinquent debtors who appeared to be eligible for AWG as of July 2007.

The two data extracts were created using information, as reflected in SSA's records and systems between July and October 2007. Each data extract identified two distinct groups of delinquent debtors—(1) debtors who SSA used its AWG authority to collect debts owed to the Agency and (2) debtors who appeared to meet the Agency's requirements for use of AWG, but SSA had not used its AWG authority to collect debts it was owed. The OASDI and SSI debtors had delinquent debt resulting from overpayments² totaling \$39,013,880 and \$804,493, respectively.

Of the 4,239 delinquent debtors included in the OASDI data extract, SSA used its AWG authority to collect debts owed by 729 debtors. The Agency did not use AWG for the remaining 3,510 OASDI debtors. Of the 185 delinquent debtors in the SSI data extract, SSA used AWG to collect debts owed by 16 debtors. The AWG authority was not used for the remaining 169 SSI debtors.

¹ SSA, Program Operations Manual System, (POMS) GN 02201.040.A and SM 00610.040.B.4.

² All overpayments in our review met the definition for overpayments as outlined in SSA's POMS, GN 02201.001.A.

We selected for review three samples of OASDI and SSI delinquent debtors from the two sampling frames. A total of 150 delinquent debtors were selected for review.

We selected two random samples from the OASDI debt sampling frame.

1. Selected a random sample of 50 debtors for whom SSA used its AWG authority to collect debts it was owed. These debtors were reviewed to determine the extent to which SSA complied with its AWG policies and procedures.
2. Selected a random sample of 50 debtors who appeared to meet the Agency's requirements for use of the AWG, but SSA had not used its AWG authority to collect debts it was owed. These debtors were reviewed to determine whether there were debtors who met the Agency's AWG requirements, but SSA had not used its AWG authority.

We selected one sample from the SSI debt sampling frame.

1. Selected a random sample of 50 debtors who appeared to meet the Agency's requirements for use of the AWG debt collection tool, but SSA had not used its AWG authority to collect debts owed to the Agency. These debtors were reviewed to determine eligibility for AWG and whether SSA should have applied its AWG authority to collect the debts.

In addition, we reviewed all 16 SSI delinquent debtors in the SSI debt sampling frame that SSA used its AWG authority to collect debts owed to the Agency.³ These debtors were reviewed to determine the extent to which SSA complied with its AWG policies and procedures.

To estimate the existence of the characteristic/result in the OASDI sampling frame, we used information recorded in one segment of the ROAR. The ROAR system is comprised of five specific groupings of records called segments. The segments are based on the terminal digits of the applicable Social Security number. Each ROAR segment corresponds to 4 of the 20 segments of the MBR. The OASDI data extract we used for our sampling frame was comprised of information taken from one of the five ROAR segments (Segment 2). Sampling results were applied to the entire sampling frame to estimate the existence of the characteristics/result in the OASDI debt sampling frame.

To estimate the existence of the characteristics/result in the OASDI debt population as of August 2007, we used the OASDI sampling frame estimate. Since the ROAR has five segments, we multiplied the sampling frame estimate by five.

To estimate the existence of the characteristic/result in the SSI sampling frame, we used information recorded in one segment of the MOUR. The MOUR system is comprised of 20 segments. Each segment corresponds to one segment of the SSR.

³ The sample represented 100 percent of the SSI debtors included in this population.

The SSI data extract we reviewed was comprised of information taken from one segment of the MOUR (Segment 10). Sampling results were applied to the entire sampling frame to estimate the existence of the characteristics/result in the SSI debt sampling frame.

To estimate the existence of the characteristic/result in the SSI debt population as of July 2007, we used the SSI sampling frame estimate. We multiplied the sampling frame estimate by 20 to develop our estimate.

Sampling Results

Based on the results of our review, we estimate SSA did not notify employers that about 700 delinquent OASDI debtors, and about 120 delinquent SSI debtors had been selected for AWG.

SSA Did Not Always Notify Employers That Delinquent Debtors Had Been Selected for AWG

OASDI Delinquent Debtors	
	Delinquent Debtors
Total Sample Frame	3,510
Sample Size	50
SSA Did Not Notify Employers of Selected OASDI Debtors	2
Percentage of Sample	4%
Estimate to the Sample Frame	140
Estimate to the Population (Five Segments)	700

SSI Delinquent Debtors	
	Delinquent Debtors
Total Sampling Frame	169
Sample Size	50
SSA Did Not Notify Employers of Selected SSI Debtors	2
Percentage of Sample	4%
Estimate to the Sample Frame	6
Estimate to the Population (20 Segments)	120

Administrative Wage Garnishment Eligibility Requirements

For a debtor to be eligible for administrative wage garnishment (AWG), all of the following conditions must apply.

- The debtor is alive.
- The debtor is not entitled to Old-Age, Survivors and Disability Insurance or Supplemental Security Income benefits or Medicare based on disability.
- The debtor is in terminated status on the Master Beneficiary Record or terminated/nonpay status on the Supplemental Security Record.
- The debtor is not active in the Ticket to Work and Self-Sufficiency Program.
- The debtor's Social Security number is available.¹
- The debt is \$200 or more.
- The debt is past-due.
- The debt is legally enforceable.²
- The debt was established after age 18.
- The Master Earnings File shows the debtor has regular wages, State and local government wages, household, nonprofit or railroad wages from a domestic employer.³
- The debtor was not involuntarily separated from employment or, if he/she was, has been re-employed continuously for at least 12 months.

¹ For Old-Age, Survivors and Disability Insurance, the beneficiary's own account number must be present on the Master Beneficiary Record.

² The Social Security Administration (SSA), Program Operations Manual System, GN 02201.030.C defines a legally enforceable debt as a debt that is still subject to recovery from the debtor because (1) it has not been paid in full, (2) recovery has not been waived, (3) a bankruptcy petition is not currently pending in court, (4) the debt was not previously discharged in bankruptcy, (5) the debtor is alive, and (6) the debtor is primarily liable for the debt.

³ SSA does not use AWG to collect delinquent debt from the wages that Military or Federal employees earn from their Federal employment. Instead, Military and Federal pay is subject to the Federal salary offset debt collection tool. Further, SSA does not select individuals for AWG who are self-employed nor those with agricultural wages, as their work history is too irregular for AWG to be effective.

- No installment payment arrangements exist with SSA, or if one has been made,⁴ the debtor failed to make a payment for 2 consecutive months.
- No remittance (other than External Collection Offset) has been received in the last 45 days.
- No waiver or appeal is pending.
- The beneficiary is not in due process status.
- Cross Program Recovery is not available.
- The debt is delinquent less than 10 years at the time of selection.
- The overpayment is a legally defined overpayment.
- A foreign address is not involved.
- The debt has not been referred to the Department of Justice.
- The debt must be due to the Retirement and Survivors or Disability Insurance trust funds or the Supplemental Security Income appropriation.
- The Payment Identification Code is other than G.⁵
- The beneficiary's Ledger Account File cannot be equal to U.⁶
- The debt is considered unrecoverable.⁷
- The debtor has recent earnings history⁸ of at least \$25,000 per year. If a debtor has multiple employers, earnings from one employer must be at least \$15,000 per year.

⁴ The installment agreement was not made in the last 30 days.

⁵ Claimants of Lump-Sum Death Benefits.

⁶ Active Uninsured Status.

⁷ A debt is considered unrecoverable if it is in terminated recovery status.

⁸ The most recent earnings history available at the time of our data extract was Calendar Year 2006.

Appendix E

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: September 3, 2008 Refer To: S1J-3

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

From: David V. Foster /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Administrative Wage Garnishment"
(A-13-08-28009)--INFORMATION

We appreciate OIG's efforts in conducting this review. Attached is our response to the recommendations.

Please let me know if we can be of further assistance. Direct staff inquiries to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT,
"ADMINISTRATIVE WAGE GARNISHMENT" (A-13-08-28009)**

Thank you for the opportunity to review and provide comments on this draft report.

We would like to comment on a statement from page 5 under, "System-related Problems Prevented the Collection of Old-Age, Survivor, and Disability Insurance (OASDI) Debt." The statement reads as follows:

"In May 2008, ORSIS staff reconfirmed that, in the future, the Agency plans to base AWG eligibility on individual debts. ORSIS staff plans to have the capability to separate debtors' total overpayments to control collection activity for each debt. The staff stated ORSIS will address this issue when OPRP requests a systems change and resources are available. However, at this time, SSA is not actively pursuing any system-related changes to address this issue. SSA should consider monitoring specific overpayments to collect additional delinquent debt it is owed."

We want to clarify that we will discuss the feasibility of such a change, including the need to apply the change consistently to both the Supplemental Security Income (SSI) and the Retirement, Survivors, and Disability Insurance (RSDI) programs as well as to the Administrative Wage Garnishment (AWG) and other External Collection Operation (ECO) applications (i.e., credit bureau reporting and Treasury Offset Program (TOP)). Based on this, we believe the report should note although we are looking at this area, there are currently no plans underway to make changes. Any decision to pursue changes would be dependent upon our ability to allocate scarce systems resources. We request you change this paragraph to indicate this distinction.

Recommendation 1

Assess the feasibility of updating the ECO system to enhance its ability to identify delinquent debt for collection through AWG.

Comment

We agree. We will determine the feasibility of this change, including the need to apply the change consistently to both the SSI and RSDI programs as well as to the AWG and other ECO applications (i.e., credit bureau reporting and TOP). However, our analysis will include the determination of the required resources, which we believe could be extensive. Therefore, this project most likely will not be undertaken in the near future.

Recommendation 2

Determine what actions should be taken when uncooperative or non-responsive employers impeded the Agency's efforts to collect delinquent OASDI debt using AWG.

Comment

We agree. We are in the process of determining our available enforceable options. We will then establish policies and procedures to address uncooperative or non-responsive employers.

Recommendation 3

Complete the functional requirements needed to correct the production problems identified during our review.

Comment

We agree. We developed the documentation to make the necessary system changes to correct two production problems that involved four of the cases, two OASDI and two SSI, where the system did not notify the employer to begin AWG. We are continuing our analysis on the third production problem to determine a resolution. We anticipate completing this analysis by the end of October 2008, and depending on the necessary action required, we hope to have the system changes in place by the end of fiscal year (FY) 2009.

Recommendation 4

Determine whether the five OASDI and two SSI delinquent debtors we identified met AWG requirements, and if appropriate, use AWG to collect delinquent debts.

Comment

We agree. We have determined that one of the OASDI debtors no longer has a debt; therefore, AWG no longer applies. AWG will become feasible for four (two OASDI and two SSI) debtors after a software enhancement takes place by the end of September 2008. One OASDI debtor is currently pending reconsideration; however, we are in the process of expediting the pending reconsideration after which the case may be eligible for AWG. The final OASDI case involves a production problem. As stated in our response to recommendation 3, we anticipate completing the necessary analysis and hope to have system changes in place by the end of FY 2009.

Appendix F

OIG Contacts and Staff Acknowledgments

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