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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**DEBT COLLECTION ACTIVITIES IN THE  
SUPPLEMENTAL SECURITY INCOME PROGRAM**

April 2011      A-07-10-20139

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**AUDIT REPORT**

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## 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: April 22, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Debt Collection Activities in the Supplemental Security Income Program  
(A-07-10-20139)

### OBJECTIVE

The objective of this audit was to identify the potential financial impact if the Social Security Administration (SSA) performed additional debt collection activities for Supplemental Security Income (SSI) overpayments.

### BACKGROUND

SSI is a nation-wide, Federal cash assistance program administered by SSA that provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.<sup>1</sup> Payments under the SSI program are funded from the Government's General Fund, which is financed through tax payments of the American public.<sup>2</sup> No individual shall be considered eligible for SSI payments for any period during which they have income or resources that exceed the allowable limit amounts established under the *Social Security Act*.<sup>3</sup>

When an individual receives a payment of more than the amount due for any period, the individual is considered overpaid.<sup>4</sup> When an SSI recipient is initially determined to be overpaid, the overpayment must be resolved by recovery, waiver, a determination that the debt either did not exist or was uncollectible, or any combination thereof. SSA uses

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<sup>1</sup> The *Social Security Act* § 1601, 42 U.S.C. § 1381.

<sup>2</sup> 20 C.F.R. § 416.110. In addition, States may choose to provide supplementary payments administered by SSA.

<sup>3</sup> The *Social Security Act* § 1611(a), 42 U.S.C. § 1382(a); See also 20 C.F.R. § 416.202.

<sup>4</sup> 20 C.F.R. § 416.537.

nine debt collection activities to recover SSI overpayments (see Appendix D). Most overpayments are recovered through benefit withholding, which, along with installment plans, are considered collection arrangements.

## RESULTS OF REVIEW

Our review focused on SSA's debt collection arrangements in the SSI program. Since Fiscal Year (FY) 2002, the percent of outstanding SSI debt in a collection arrangement has decreased. Specifically, between FYs 2002 and 2010, SSI debt in a collection arrangement decreased by more than 5 percent. SSA stated resource constraints in the SSI program have caused the Agency to shift focus from debt collection activities and other program integrity workloads to maintain front-line services.<sup>5</sup>

During FYs 2008 through 2011, we estimated, based on historical SSI collection rates, that SSA could have recovered an additional \$200 million of SSI debt. This could have been accomplished if SSA had placed an additional \$441 million of outstanding SSI debt into collection arrangements at the FY 2002 level during FYs 2008 through 2010.<sup>6</sup>

### ADDITIONAL DEBT RECOVERIES WITH INCREASED DEBT IN A COLLECTION ARRANGEMENT

SSA has seen a decline in the percent of outstanding SSI debt in a collection arrangement since FY 2002. Specifically, the percent of SSI debt in a collection arrangement dropped 5.3 percent—from 55.4 percent in FY 2002 to 50.1 percent in FY 2010 (see Table 1 on the next page).<sup>7</sup>

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<sup>5</sup> Other program integrity workloads include continuing disability reviews and SSI redeterminations. Front-line services include processing retirement claims, disability claims, and applications for enumeration. We conducted two reviews on how the decreases in other program integrity workloads had affected the Title II Trust Funds and the General Fund: SSA OIG, *Supplemental Security Income Redeterminations* (A-07-09-29146) July 2009, and SSA OIG, *Full Medical Continuing Disability Reviews* (A-07-09-29147) March 2010.

<sup>6</sup> The additional debt in a collection arrangement and subsequent recoveries include amounts from the Federal SSI program and federally administered State supplements.

<sup>7</sup> Between FYs 2002 and 2009, SSA wrote off debt between \$842 million and \$1.1 billion annually. These write-offs included debt for both the SSI and Old-Age, Survivors and Disability Insurance programs.

**Table 1: SSI Debt in a Collection Arrangement<sup>8</sup>**

Fiscal Year	Percent of Debt in a Collection Arrangement <sup>9</sup>
2002	55.4%
2003	55.0%
2004 <sup>10</sup>	53.5%
2005	53.0%
2006	53.0%
2007	52.0%
2008	50.4%
2009	49.9%
2010	50.1%

We requested from SSA the optimal level of outstanding SSI debt in a collection arrangement. However, SSA stated it did not have an optimal level. In fact, SSA had not had a goal for outstanding SSI debt in a collection arrangement since FY 2007.<sup>11</sup>

Therefore, we calculated the additional SSI debt that could have been in a collection arrangement during FYs 2008 through 2010 and subsequently recovered had SSA placed debt in a collection arrangement at the FY 2002 level of 55.4 percent. At this level, we estimated SSA could have placed an additional \$441 million of outstanding SSI debt in a collection arrangement during FYs 2008 through 2010. Based on historical SSI collection rates, we also estimated SSA could have recovered

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<sup>8</sup> These percentages are reported in SSA's Performance and Accountability Reports (PAR) and provided by SSA. SSA defines the percent of outstanding debt in a collection arrangement as the percent of outstanding debt that is scheduled for collection by benefit withholding or installment payment. Outstanding SSI debt is grouped into four main categories: newly established debt; debt that involves a current due process request, such as waiver; debt that is in a collection arrangement; and debt that is not in a collection arrangement. The percent of debt in a collection arrangement is computed by dividing the dollars in that category by the total dollar amount of outstanding debt in all four categories. We did not audit the accuracy of these percentages.

<sup>9</sup> The percents of SSI debt in a collection arrangement for FYs 2005 through 2007 were rounded to the nearest whole number as reported in SSA's PAR for those FYs.

<sup>10</sup> According to the PAR, the FY 2004 performance represents data from May through September 2004 only. The data reported from October 2003 through April 2004 were incomplete.

<sup>11</sup> Despite a decline in SSI debt in a collection arrangement, SSA's goals for SSI debt in a collection arrangement fluctuated from a low of 53 percent in FY 2005 to a high of 56 percent in FY 2007. SSA stopped including the percent of SSI debt in a collection arrangement as a performance indicator in the PAR after FY 2007 because the measure was considered repetitive or not meaningful to the public. According to SSA, the removal was based on guidance from the Office of Management and Budget. SSA does not intend to include the measure in future PARs.

approximately \$200 million of the \$441 million during FYs 2008 through 2011 (see Appendix C, Table C-1).<sup>12</sup>

## RESOURCES FOR DEBT COLLECTION ACTIVITIES

According to SSA, resource constraints in the SSI program resulted in a decline in the percent of outstanding SSI debt in a collection arrangement because the Agency shifted focus from debt collection activities to front-line services. For example, SSA partially attributes the decrease in outstanding SSI debt in a collection arrangement to a decrease in the number of redeterminations conducted.<sup>13</sup>

According to SSA, the decrease in redeterminations resulted in fewer overpayments being detected for recipients who continued to receive payments and therefore less debt in collection arrangements.<sup>14</sup> Accordingly, the outstanding SSI debt balance had a greater percentage of overpayments to individuals no longer in payment status. However, the percent of outstanding SSI debt in a collection arrangement continued to decline through FY 2009 and increased only slightly in FY 2010 (see Table 1) despite a substantial increase in redeterminations from FYs 2008 to 2010.<sup>15</sup>

SSA also attributes the decrease in outstanding SSI debt in a collection arrangement to the decrease in the number of debtor contact representatives (DCR). Between FYs 2004 and 2009, SSA made fewer DCRs available to process the outstanding debt workload. In fact, the number of DCRs decreased by 16 percent—from 193 DCRs in FY 2004 to 162 DCRs in FY 2009. However, the number of DCRs had increased since the end of FY 2009, possibly contributing to the slight increase in the percent of debt in a collection arrangement in FY 2010 (see Table 1).<sup>16</sup>

SSA should conduct all debt collection activities needed to fulfill the Agency's stewardship responsibilities and maximize overpayment recoveries. To do so, SSA should identify a reasonable goal for the level of SSI debt that should be in a collection

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<sup>12</sup> We estimated that, from FYs 2008 through 2011, SSA could have recovered an additional \$212 million of SSI debt at a cost of over \$12 million (see Appendix C, Table C-1). For the purposes of this review, we did not estimate the amount of remaining debt that would be recovered after FY 2011. However, SSA would have the potential to recover the remaining outstanding SSI debt in a collection arrangement over the next several years.

<sup>13</sup> The number of redeterminations declined from 2.4 million in FY 2003 to 900,000 in FY 2008.

<sup>14</sup> While providing technical comments to our formal draft report, SSA stated increases in the SSI administrative waiver tolerance could be another reason for the decrease in the percentage of outstanding SSI debt in a collection arrangement. Specifically, the SSI administrative waiver tolerance increased from \$100 to \$500 in January 2002 and from \$500 to \$1,000 in October 2008.

<sup>15</sup> SSA conducted 1.4 million redeterminations in FY 2009 and 2.2 million redeterminations in FY 2010, which are significant increases over the FY 2008 level of 900,000 redeterminations.

<sup>16</sup> At the end of FY 2009, SSA had 162 DCRs, but as of October 31, 2010, SSA had 201 DCRs.

arrangement each year and dedicate the necessary resources to processing the debt collection workload to achieve the goal.

## **CONCLUSION AND RECOMMENDATION**

According to SSA, over the past several years SSA's stewardship work had not been fully funded. In addition, SSA had focused its resources on providing front-line services. As a result, outstanding SSI debt in a collection arrangement was below historic levels. If the percent of debt in a collection arrangement continues at current levels, SSA will continue to forego the opportunity to recover millions of dollars in overpayments. To avoid this, we recommend SSA identify a reasonable goal for the level of SSI debt that should be in a collection arrangement each year and dedicate the necessary resources to processing the debt collection workload to achieve the goal.

## **AGENCY COMMENTS**

SSA disagreed with our recommendation. Because of budget uncertainties, SSA stated that it is directing its resources to more cost-effective program integrity work. For example, in FY 2010, SSA used the Access to Financial Institutions (AFI) Project, which enabled SSA to electronically verify bank account balances and identify undisclosed bank accounts that may preclude SSI eligibility. In addition, SSA believes SSI payment accuracy will continue to improve, thereby reducing the amount of SSI debt needing to be recouped. With less debt to recoup and the increased use of more efficient methods for preventing, detecting, and recouping SSI overpayments, SSA stated it will not establish a goal for SSI debt collection arrangements. See Appendix E for the full text of SSA's comments.

## **OIG RESPONSE**

We applaud SSA for implementing new methods, such as AFI, to prevent, detect, and recoup SSI overpayments. We also understand that SSA must balance its resources between service delivery and program integrity. As part of that balance, we believe the Agency needs a goal for the level of debt in a collection arrangement. Without such a goal, Congress and other stakeholders lack necessary information to assess whether sufficient resources are allocated to debt collection activities. Therefore, we remain committed to our recommendation.



Patrick P. O'Carroll, Jr.

# *Appendices*

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Additional Supplemental Security Income Debt in a Collection Arrangement

[APPENDIX D](#) – Supplemental Security Income Debt Collection Activities

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## ***Appendix A***

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### **Acronyms**

AFI	Access to Financial Institutions
C.F.R.	Code of Federal Regulations
DCR	Debtor Contact Representative
ECO	External Collection Operation
FY	Fiscal Year
OFPO	Office of Financial Policy and Operations
OIG	Office of the Inspector General
PAR	Performance and Accountability Report
SSA	Social Security Administration
SSI	Supplemental Security Income
TOP	Treasury Offset Program
U.S.C.	United States Code

# **Scope and Methodology**

To complete the objective of our review, we:

- Reviewed applicable laws and regulations and pertinent sections of the Program Operations Manual System related to Supplemental Security Income (SSI) debt collection activities.
- Reviewed the Social Security Administration's (SSA) Performance and Accountability Reports for Fiscal Years (FY) 2002 through 2009 to obtain the percent of debt in a collection arrangement.
- Obtained information from SSA's Office of Budget, Finance, and Management; Office of Quality Performance; and Chief Information Officer, including
  - the percentage of outstanding debt determined to be both delinquent and estimated to be uncollectible,
  - information regarding planned or proposed debt collection activities,
  - the total outstanding debt for FYs 2008 through 2010, and
  - the cost to collect \$1 of SSI debt for FYs 2008 through 2010.
- Calculated the additional debt SSA could have recovered by increasing the percent of SSI debt in a collection arrangement (see Appendix C).

The entity reviewed was the Office of Operations. Our work was conducted at the Office of Audit in Kansas City, Missouri, from March through December 2010. We determined that the data used in this report were sufficiently reliable given the review objective and their intended use. We conducted our review 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Appendix C

# Additional Supplemental Security Income Debt in a Collection Arrangement

We estimated the additional Supplemental Security Income (SSI) debt the Social Security Administration (SSA) could have placed in a collection arrangement during Fiscal Years (FY) 2008 through 2010 by assuming SSA placed debt into a collection arrangement at the level it did in FY 2002 (55.4 percent of SSI debt in a collection arrangement). Specifically, we estimated SSA could have placed an additional \$441 million in a collection arrangement during FYs 2008 through 2010. Based on historical SSI collection rates, we also estimated SSA could have recovered approximately \$200 million of the \$441 million during FYs 2008 through 2011 (see Table C-1).<sup>1</sup>

**Table C-1: Additional SSI Debt in a Collection Arrangement for FYs 2008 – 2010 at the FY 2002 Level and Subsequent Debt Recoveries During FYs 2008 – 2011<sup>2</sup>**

FY of Collection Arrangement	Additional SSI Debt in a Collection Arrangement	FY of Additional Debt Recoveries				
		2008	2009	2010	2011	Total
<b>2008</b> See Table C-2	\$286,515,000	\$53,005,275	\$40,630,692	\$32,982,315	\$27,342,339	\$153,960,621
<b>2009</b> See Table C-3	\$85,121,353		\$14,811,115	\$12,023,051	\$9,967,109	\$36,801,275
<b>2010</b> See Table C-4	\$69,156,568			\$11,825,773	\$9,803,566	\$21,629,339
<b>Total</b>	<b>\$440,792,921</b>	\$53,005,275	\$55,441,807	\$56,831,139	\$47,113,014	<b>\$212,391,235</b>
<b>Additional Debt Recovery Costs During FYs 2008 – 2011<sup>3</sup></b>						<b>\$12,743,474</b>
<b>Additional Debt Recoveries Net of Costs During FYs 2008 – 2011<sup>4</sup></b>						<b>\$199,647,761</b>

Our estimates are based on the following methodology.

1. SSA provided the total amount of outstanding SSI debt at the end of the FY. For example, the outstanding SSI debt at the end of FY 2008 was \$5,730,300,000 (see Table C-2, row 1).

<sup>1</sup> The additional debt in a collection arrangement and subsequent recoveries include amounts from the Federal SSI program and federally administered State supplements.

<sup>2</sup> For the purposes of this review, we did not estimate the amount of remaining debt that would be recovered after FY 2011. However, SSA would have the potential to recover the remaining outstanding SSI debt in a collection arrangement over the next several years.

<sup>3</sup> Additional Debt Recoveries (\$212,391,235) times historical cost to collect \$1 of SSI debt (\$0.06) during FYs 2008 through 2010 as provided by SSA's Office of Financial Policy and Operations (OFPO).

<sup>4</sup> Additional Debt Recoveries (\$212,391,235) less Additional Debt Recovery Costs (\$12,743,474).

2. We estimated the amount of SSI debt that would have been in a collection arrangement had SSA achieved the FY 2002 level of 55.4 percent of SSI debt in a collection arrangement. For example, we applied 55.4 percent to the \$5,730,300,000 of remaining outstanding SSI debt for FY 2008 and determined that \$3,174,586,200 would have been in a collection arrangement had SSA placed SSI debt in a collection arrangement at the FY 2002 level (see Table C-2, row 2).<sup>5</sup>
3. Using the actual percent of SSI debt in a collection arrangement, we estimated the amount of debt that was actually in a collection arrangement. For example, 50.4 percent of SSI debt was in a collection arrangement in FY 2008. Therefore, we applied 50.4 percent to the \$5,730,300,000 of outstanding SSI debt for FY 2008 and estimated \$2,888,071,200 was actually in a collection arrangement in FY 2008 (see Table C-2, row 4).
4. We computed the additional SSI debt SSA could have placed in a collection arrangement at the FY 2002 level. To do so, we took the SSI debt that would have been in a collection arrangement at the FY 2002 level less the actual SSI debt in a collection arrangement. For example, we took the FY 2008 SSI debt in a collection arrangement at the FY 2002 level of \$3,174,586,200 less the \$2,888,071,200 that was actually in a collection arrangement in FY 2008. This resulted in \$286,515,000 of additional debt in a collection arrangement (see Table C-2, row 5).
5. SSA provided the SSI debt collection rates. For example, the SSI debt collection rate in FY 2008 was 18.5 percent (see Table C-2, row 6).
6. Using the SSI debt collection rates, we estimated the additional debt that could have been recovered during FYs 2008 through 2011.<sup>6</sup>
  - a. We applied the FY 2008 debt collection rate of 18.5 percent to the \$286,515,000 of additional SSI debt in a collection arrangement and determined the additional debt recovered throughout FY 2008 would have been \$53,005,275 (see Table C-2, row 7).

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<sup>5</sup> SSA calculates the percent of outstanding SSI debt in a collection arrangement monthly. The annual percent of outstanding SSI debt in a collection arrangement, as reported in SSA's Performance and Accountability Report, is based on the average for the 12 months in the FY. For our analysis, we applied the annual percent to the outstanding debt at the end of the FY. We determined this to be reasonable because we did not expect significant fluctuations in the monthly amounts of outstanding SSI debt and percentages of outstanding debt in a collection arrangement.

<sup>6</sup> SSA does not maintain debt collection rates for outstanding SSI debt in a collection arrangement. Therefore, our analysis is based on historical collection rates for the SSI program. The amount of additional SSI debt that SSA would have actually recovered may be higher or lower depending on the mix of additional SSI debt in a collection arrangement, since some debt may be easier to collect than other debt. According to SSA, some of the additional outstanding SSI debt we estimated that could have been recovered by placing additional debt in a collection arrangement would have been recovered without being placed in a collection arrangement. However, we could not estimate this amount because SSA does not maintain debt collection rates for outstanding SSI debt that is not in a collection arrangement.

- b. We took the \$286,515,000 of additional SSI debt placed in a collection arrangement in FY 2008 less the \$53,005,275 SSA would have recovered throughout FY 2008 to arrive at the \$233,509,725 of debt that would be available for collection in FY 2009 (see Table C-2, row 8).
- c. We applied the FY 2009 debt collection rate of 17.4 percent to the \$233,509,725 of remaining SSI debt in a collection arrangement and determined the additional debt recovered in FY 2009 would have been \$40,630,692 (see Table C-2, row 10).

**Table C-2: Additional SSI Debt Recoveries During FYs 2008 – 2011 Based on the FY 2002 Level of Outstanding SSI Debt in a Collection Arrangement in FY 2008**

Row	Additional Outstanding SSI Debt in a Collection Arrangement	
1	<b>Outstanding SSI Debt at the End of FY 2008<sup>7</sup></b>	\$5,730,300,000
2	<b>SSI Debt in a Collection Arrangement at the FY 2002 Level:</b> Outstanding SSI Debt times 55.4 Percent	\$3,174,586,200
3	<b>Actual Percent of SSI Debt in a Collection Arrangement for FY 2008<sup>8</sup></b>	50.4%
4	<b>Actual SSI Debt in a Collection Arrangement:</b> Outstanding SSI Debt at the End of FY 2008 (\$5,730,300,000) times Actual Percent of SSI Debt in a Collection Arrangement for FY 2008 (50.4 Percent)	\$2,888,071,200
5	<b>Additional SSI Debt in a Collection Arrangement for FY 2008:</b> SSI Debt in a Collection Arrangement at the FY 2002 Level (\$3,174,586,200) less Actual SSI Debt in a Collection Arrangement (\$2,888,071,200)	\$286,515,000
Row	Additional FY 2008 Debt Recoveries in FY 2008	
6	<b>SSI Debt Collection Rate for FY 2008<sup>9</sup></b>	18.5%
7	<b>Additional SSI Debt Recoveries in FY 2008:</b> Additional SSI Debt in a Collection Arrangement for FY 2008 (\$286,515,000) times SSI Debt Collection Rate for FY 2008 (18.5 percent)	\$53,005,275
Row	Additional FY 2008 Debt Recoveries in FY 2009	
8	<b>Additional SSI Debt in a Collection Arrangement for FY 2008</b> <b>Available for Collection in FY 2009:</b> Additional SSI Debt in a Collection Arrangement for FY 2008 (\$286,515,000) less Additional SSI Debt Recoveries in FY 2008 (\$53,005,275)	\$233,509,725
9	<b>SSI Debt Collection Rate for FY 2009</b>	17.4%
10	<b>Additional SSI Debt Recoveries in FY 2009:</b> Additional SSI Debt in a Collection Arrangement for FY 2008 Available for Collection in FY 2009 times SSI Debt Collection Rate for FY 2008	\$40,630,692
Row	Additional FY 2008 Debt Recoveries in FY 2010	
11	<b>Additional SSI Debt in a Collection Arrangement for FY 2008</b> <b>Available for Collection in FY 2010</b>	\$192,879,033
12	<b>SSI Debt Collection Rate for FY 2010</b>	17.1%
13	<b>Additional SSI Debt Recoveries in FY 2010</b>	\$32,982,315
Row	Additional FY 2008 Debt Recoveries in FY 2011	
14	<b>Additional SSI Debt in a Collection Arrangement for FY 2008</b> <b>Available for Collection in FY 2011</b>	\$159,896,718
15	<b>SSI Debt Collection Rate for FY 2011<sup>10</sup></b>	17.1%
16	<b>Additional SSI Debt Recoveries in FY 2011</b>	\$27,342,339

<sup>7</sup> Provided by SSA's OFPO.

<sup>8</sup> See Table 1 on Page 3 of the report.

<sup>9</sup> SSI debt collection rate represents the percent of outstanding debt collected during the FY, as provided by SSA's OFPO.

<sup>10</sup> The SSI debt collection rate for FY 2011 is not available. Therefore, we used the SSI debt collection rate for FY 2010.

We used a similar methodology to estimate the additional SSI debt SSA could have placed in a collection arrangement during FYs 2009 and 2010 and subsequently recovered had SSA placed debt in a collection arrangement at the level it did in FY 2002. However, for FYs 2009 and 2010, we considered the debt that would have been placed in a debt collection arrangement and subsequently recovered in FYs 2008 and 2009 if SSA had placed debt in a collection arrangement at the FY 2002 level. To do so, we:

1. Took the actual outstanding SSI debt provided by SSA less the estimated additional debt recoveries we calculated for the previous year by placing additional debt in a collection arrangement. For example, we took the FY 2009 actual outstanding SSI debt of \$6,327,200,000 less the \$53,005,275 of additional debt recoveries for FY 2008. This resulted in \$6,274,194,725 of remaining outstanding SSI debt (see Table C-3, row 3).
2. Took the SSI debt in a collection arrangement at the FY 2002 less the additional SSI debt in a collection arrangement from the previous year that remained available for collection. For example, we took the SSI debt in a collection arrangement at the FY 2009 level of \$3,475,903,878 less the \$233,509,725 of additional SSI debt in a collection arrangement for FY 2008 available for collection in FY 2009. This resulted in \$3,242,394,153 of total SSI debt in a collection arrangement in FY 2009 (see Table C-3, row 6).

**Table C-3: Additional SSI Debt Recoveries During FYs 2009 – 2011 Based on the FY 2002 Level of Outstanding SSI Debt in a Collection Arrangement in FY 2009**

Row	Additional Outstanding SSI Debt in a Collection Arrangement	
1	<b>Outstanding SSI Debt at the End of FY 2009<sup>11</sup></b>	\$6,327,200,000
2	<b>Additional SSI Debt Recoveries in FY 2008:</b> See Table C-2, Row 7	\$53,005,275
3	<b>Remaining Outstanding SSI Debt:</b> Outstanding SSI Debt at the End of FY 2009 less Additional SSI Debt Recoveries in FY 2008	\$6,274,194,725
4	<b>SSI Debt in a Collection Arrangement at the FY 2002 Level:</b> Remaining Outstanding SSI Debt times 55.4 percent	\$3,475,903,878
5	<b>FY 2008 SSI Debt in a Collection Arrangement Available for Collection in FY 2009:</b> See Table C-2, Row 8	\$233,509,725
6	<b>Remaining FY 2009 SSI Debt in a Collection Arrangement at the FY 2002 Level:</b> SSI Debt in a Collection Arrangement at the FY 2002 Level less FY 2008 SSI Debt in a Collection Arrangement Available for Collection in FY 2009	\$3,242,394,153
7	<b>Actual Percent of SSI Debt in a Collection Arrangement for FY 2009<sup>12</sup></b>	49.9%
8	<b>Actual SSI Debt in a Collection Arrangement:</b> Outstanding SSI Debt at the End of FY 2009 (\$6,327,200,000) times Actual Percent of SSI Debt in a Collection Arrangement for FY 2009 (49.9 percent)	\$3,157,272,800
9	<b>Additional SSI Debt in a Collection Arrangement for FY 2009:</b> Remaining FY 2009 SSI Debt in a Collection Arrangement at the FY 2002 Level (\$3,242,394,153) less Actual SSI Debt in a Collection Arrangement (\$3,157,272,800)	\$85,121,353
Row	Additional FY 2009 Debt Recoveries in FY 2009	
10	<b>SSI Debt Collection Rate for FY 2009<sup>13</sup></b>	17.4%
11	<b>Additional SSI Debt Recoveries in FY 2009:</b> Additional SSI Debt in a Collection Arrangement for FY 2009 (\$85,121,353) times SSI Debt Collection Rate for FY 2009 (17.4 percent)	\$14,811,115
Row	Additional FY 2009 Debt Recoveries in FY 2010	
12	<b>Additional SSI Debt in a Collection Arrangement for FY 2009 Available for Collection in FY 2010:</b> Additional SSI Debt in a Collection Arrangement for FY 2009 (\$85,121,353) less Additional SSI Debt Recoveries in FY 2009 (\$14,811,115)	\$70,310,238
13	<b>SSI Debt Collection Rate for FY 2010</b>	17.1%
14	<b>Additional SSI Debt Recoveries in FY 2010:</b> Additional SSI Debt in a Collection Arrangement for FY 2009 Available for Collection in FY 2010 times SSI Debt Collection Rate for FY 2010	\$12,023,051
Row	Additional FY 2009 Debt Recoveries in FY 2011	
15	<b>Additional SSI Debt in a Collection Arrangement for FY 2009 Available for Collection in FY 2011</b>	\$58,287,187
16	<b>SSI Debt Collection Rate for FY 2011<sup>14</sup></b>	17.1%
17	<b>Additional SSI Debt Recoveries in FY 2011</b>	\$9,967,109

<sup>11</sup> Provided by SSA's OFPO.

<sup>12</sup> See Table 1 on Page 3 of the report.

<sup>13</sup> *Supra* note 9.

<sup>14</sup> *Supra* note 10.

**Table C-4: Additional SSI Debt Recoveries During FYs 2010 – 2011 Based on the FY 2002 Level of Outstanding SSI Debt in a Collection Arrangement in FY 2010**

Row	Additional Outstanding SSI Debt in a Collection Arrangement	
1	<b>Outstanding SSI Debt at the End of FY 2010<sup>15</sup></b>	\$6,850,200,000
2	<b>Additional SSI Debt Recoveries in FY 2009:</b> Additional FY 2008 Debt Recoveries in FY 2009 (\$40,630,692 from Table C-2, row 10) plus Additional FY 2009 Debt Recoveries in FY 2009 (\$14,811,115 from Table C-3, Row 11)	\$55,441,807
3	<b>Remaining Outstanding SSI Debt:</b> Outstanding SSI Debt at the End of FY 2010 less Additional SSI Debt Recoveries in FY 2009	\$6,794,758,193
4	<b>SSI Debt in a Collection Arrangement at the FY 2002 Level:</b> Remaining Outstanding SSI Debt times 55.4 Percent	\$3,764,296,039
	<b>FY 2008 and FY 2009 SSI Debt in a Collection Arrangement Available for Collection in FY 2010:</b> Additional SSI Debt in a Collection Arrangement for FY 2008 Available for Collection in FY 2010 (\$192,879,033 from Table C-2, Row 11) plus Additional SSI Debt in a Collection Arrangement for FY 2009 Available for Collection in FY 2010 (\$70,310,238 from Table C-3, Row 12)	\$263,189,271
6	<b>Remaining FY 2010 SSI Debt in a Collection Arrangement at the FY 2002 Level:</b> SSI Debt in a Collection Arrangement at the FY 2002 Level less FY 2008 and FY 2009 SSI Debt in a Collection Arrangement Available for Collection in FY 2010	\$3,501,106,768
7	<b>Actual Percent of SSI Debt in a Collection Arrangement for FY 2010<sup>16</sup></b>	50.1%
8	<b>Actual SSI Debt in a Collection Arrangement:</b> Outstanding SSI Debt at the End of FY 2010 (\$6,850,200,000) times Actual Percent of SSI Debt in a Collection Arrangement for FY 2010 (50.1 percent)	\$3,431,950,200
9	<b>Additional SSI Debt in a Collection Arrangement for FY 2010:</b> Remaining FY 2010 SSI Debt in a Collection Arrangement at the FY 2002 Level (\$3,501,106,768) less Actual SSI Debt in a Collection Arrangement (\$3,431,950,200)	\$69,156,568
Row	Additional FY 2010 Debt Recoveries in FY 2010	
10	<b>SSI Debt Collection Rate for FY 2010<sup>17</sup></b>	17.1%
11	<b>Additional SSI Debt Recoveries in FY 2010:</b> Additional SSI Debt in a Collection Arrangement for FY 2010 (\$69,156,569) times SSI Debt Collection Rate for FY 2010 (17.1 percent)	\$11,825,773
Row	Additional FY 2010 Debt Recoveries in FY 2011	
12	<b>Additional SSI Debt in a Collection Arrangement for FY 2010 Available for Collection in FY 2011:</b> Additional SSI Debt in a Collection Arrangement for FY 2010 (\$69,156,568) less Additional SSI Debt Recoveries in FY 2010 (\$11,825,773)	\$57,330,795
13	<b>SSI Debt Collection Rate for FY 2011<sup>18</sup></b>	17.1%
14	<b>Additional SSI Debt Recoveries in FY 2010:</b> Additional SSI Debt in a Collection Arrangement for FY 2010 Available for Collection in FY 2011 times SSI Debt Collection Rate for FY 2010	\$9,803,566

<sup>15</sup> Provided by SSA's OFPO.

<sup>16</sup> See Table 1 on Page 3 of the report.

<sup>17</sup> *Supra* note 9.

<sup>18</sup> *Supra* note 10.

## Appendix D

# Supplemental Security Income Debt Collection Activities

The Social Security Administration (SSA) uses nine debt collection activities in the Supplement Security Income (SSI) program (see Table D-1).

**Table D-1: Current Debt Collection Activities**

Activity	Description	FY 2009 Debt Recoveries (in millions)
Benefit Withholding	Occurs if a recipient has not refunded the overpayment and eligibility for SSI payments continues. The rate of adjustment is the lesser of 10 percent of recipient's total monthly income (countable income plus SSI and State supplementary payment) or the recipient's entire monthly benefit.	\$721
Benefit Netting	An automated process to net SSI overpayments against SSI underpayments.	\$134
Cross Program Recovery	A debt collection tool in which SSA collects SSI overpayments by offsetting the debtor's Title II benefit payment. SSA is allowed to withhold 10 percent of the Title II benefit payment.	\$73
Treasury Offset Program (TOP)	A Government-wide system run by the Department of the Treasury. It allows SSA (or any other Federal agency) to recover an overpayment by making a deduction from any other Federal benefit due to the debtor. In the TOP, SSA also has the following programs. <ul style="list-style-type: none"> <li>• Tax Refund Offset – a program that deducts overpayment from the debtor's Federal income tax refund.</li> <li>• Federal Salary Offset – a program whereby a Federal agency withholds up to 15 percent of a debtor employee's disposable pay to repay an SSI debt.</li> <li>• Administrative Offset – a program that reduces or withholds payments other than tax refunds, such as Federal travel and expense reimbursements.</li> </ul>	\$56 <sup>1</sup>
Refund Recovery	Occurs when the entire amount of the overpayment is returned to SSA. It is SSA's preferred method of recovery.	\$19
Administrative Wage Garnishment	A debt collection tool SSA uses that orders an employer to withhold up to 15 percent of a debtor employee's disposable pay. The employer pays the withheld amount to the Agency.	\$4
Credit Bureau Reporting	A debt collection tool where SSA posts the overpayment debt on the individual's credit record to influence a debtor to repay the SSI debt.	Debt Recoveries Included in Refund Recovery
Installment Plan	Occurs when the debtor is unable to make full refund in a single payment and benefit withholding is not available. Therefore, debtors make monthly payments.	Debt Recoveries Included in Refund Recovery
Compromise Agreement	Occurs when an individual offers to repay SSA an amount less than the total debt owed and SSA accepts the offer.	Not Provided by SSA

<sup>1</sup> Debt collections from TOP were high in FYs 2008 and 2009 because of stimulus payments and Economic Recovery payments. SSA anticipates collections from TOP to decrease in FY 2010.

SSA also began to implement new SSI debt collection activity enhancements.

### **Title XVI Overpayment Transfers**

Title XVI overpayment transfer is a debt collection tool that scans an SSI recipient's records looking for old, uncollected debt. SSA estimates the Title XVI overpayment transfers project will account for \$16.5 million in average annual SSI program savings.

### **External Collection Operation Enhancements**

External Collection Operation (ECO) enhancements are a series of three projects meant to expand or correct current collection activities. SSA estimates the three ECO enhancements will account for \$27.5 million in average annual SSI program savings.

- The first ECO enhancement project corrected an error that prevented selection of certain types of SSI debt for recovery using Tax Refund Offset.
- The second ECO enhancement project will implement system changes that remove the 10-year statute of limitations for collecting SSI debts using TOP.
- The third ECO enhancement will initiate collection of delinquent SSI debts from federally administered state payments.<sup>2</sup>

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<sup>2</sup> As of March 2011, SSA had not received funding to implement the second and third ECO enhancements. SSA will attempt to obtain funding at the next available opportunity.

## ***Appendix E***

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### **Agency Comments**



## SOCIAL SECURITY

### MEMORANDUM

Date: April 4, 2011

Refer To: S1J-3

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

From: Dean S. Landis /s/  
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Debt Collection Activities in the Supplemental Security Program" (A-07-10-20139)--INFORMATION

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

Please let me know if we can be of further assistance. You may direct staff inquiries to Chris Molander at (410) 965-7401.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“DEBT COLLECTION ACTIVITIES IN THE SUPPLEMENTAL SECURITY INCOME  
PROGRAM” (A-07-10-20139)**

Thank you for the opportunity to review the subject draft report. We offer the following response to your recommendation.

**Recommendation**

Identify a reasonable goal for the level of Supplemental Security Income (SSI) debt that should be in a collection arrangement each year and dedicate the necessary resources to processing the debt collection workload to achieve the goal.

**Response**

We disagree. As is the case for most Federal agencies, we are experiencing budget uncertainties, which has currently affected hiring and overtime. Because of these uncertainties, we have to make difficult choices. We are currently directing our resources to more cost-effective program integrity work while ensuring that our staff focuses on our fundamental responsibilities of delivering service to the public.

We have made progress in reducing improper SSI payments by implementing some new tools, along with increasing the number of redeterminations we complete. In fiscal year (FY) 2010, 17 States utilized the Access to Financial Institutions (AFI) Project. AFI enables us to electronically verify bank account balances and identify undisclosed bank accounts that may preclude eligibility, or change the amount of SSI payments. By the end of FY 2011, we plan to implement the AFI Project nationwide. In addition, we have seen increased use of our SSI Telephone Wage Reporting System, which allows SSI recipients to call a toll-free number to report their wages via a voice recognition system. Our wage reporting system is updated automatically with the information provided. From FY 2009 to FY 2010, we realized a 390 percent increase in telephone wage reporting.

We are confident our SSI payment accuracy will continue to improve, thereby reducing the amount of SSI debt that we will need to recoup via a collection arrangement. Because of the continued reduction in SSI debt, as well as the increased use of more efficient methods for preventing, detecting and recouping SSI overpayments, we will not establish a goal for SSI debt collection arrangements.

## **Appendix F**

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# OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Mark Bailey, Director, Kansas City Audit Division  
Tonya Eickman, Audit Manager

### ***Acknowledgments***

In addition to those named above:

Jesse Card, Auditor  
Brennan Kraje, Statistician

For additional copies of this report, please visit our web site at [www.ssa.gov/oig](http://www.ssa.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-07-10-20139.

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Social Security Advisory Board

## **Overview of the Office of the Inspector General**

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.

### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

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