

*Evaluation Report*

Cost-benefit Analysis of Processing  
Low-dollar Overpayments

# OIG

Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** July 1, 2015 **Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Cost-benefit Analysis of Processing Low-dollar Overpayments (A-07-14-14065)

The attached final report presents the results of our review. Our objective was to analyze the cost-benefit of processing overpayments for the Retirement and Survivors Insurance, Disability Insurance, and Supplemental Security Income programs.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

# Cost-benefit Analysis of Processing Low-dollar Overpayments

## A-07-14-14065



July 2015

Office of Audit Report Summary

### Objective

To analyze the cost-benefit of processing overpayments for the Retirement and Survivors Insurance (RSI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs.

### Background

Benefit payments greater than the amount to which individuals are entitled are considered overpayments. When the Social Security Administration (SSA) determines an individual has been overpaid, it generally initiates recovery actions regardless of the dollar amount.

### Findings

Generally, SSA attempted to collect overpayments regardless of the amount. In some cases, the value of the overpayment was less than what SSA spent to collect it. Therefore, for some overpayments, collection was not always cost-beneficial.

SSA collects data on the average costs to collect RSI, DI, and SSI overpayments via its Cost Analysis System (CAS). The average cost to collect RSI and DI overpayments reported in CAS includes the total cost for all actions related to collecting overpayments from beneficiaries under each program during a fiscal year (FY). However, the average cost to collect an SSI overpayment as reported in CAS represents the cost of a single action taken to collect an SSI overpayment during a FY. Therefore, the average cost to collect an SSI overpayment does not represent the cost of collecting the overpayment when multiple actions are required. This results in an understatement of the average cost to collect an SSI overpayment when multiple collection actions are required.

Based on our analysis using average cost data from CAS, we estimated SSA spent over \$323 million to collect low-dollar overpayments in FYs 2008 through 2013. Using SSA's overpayment collection percentages for these FYs, we estimated SSA collected approximately \$109.4 million of the low-dollar overpayments. This resulted in SSA spending over \$213.6 million more than it collected.

### Recommendations

We recommend SSA:

1. Capture in CAS the average cost of collecting SSI overpayments using a similar methodology as it does for the RSI and DI programs.
2. Re-evaluate its process for collecting overpayments where the value of the overpayment is less than what SSA spends to collect the overpayment to ensure it expends resources on activities that result in the greatest return on investment.

SSA agreed with our recommendations.

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## **ABBREVIATIONS**

Act	<i>Social Security Act</i>
CAS	Cost Analysis System
CDR	Continuing Disability Review
DI	Disability Insurance
FY	Fiscal Year
OIG	Office of the Inspector General
ROAR	Recovery of Overpayments, Accounting and Reporting
RSI	Retirement and Survivors Insurance
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record

## OBJECTIVE

Our objective was to analyze the cost-benefit of processing overpayments for the Retirement and Survivors Insurance (RSI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs.

## BACKGROUND

The Social Security Administration (SSA) provides benefits under Titles II and XVI of the *Social Security Act* (Act). Under Title II, SSA provides RSI payments to insured individuals who have reached the minimum retirement age, survivors' benefits to dependents of insured wage earners and their families, and DI payments to disabled workers and their families, certain disabled widow(er)s, and disabled adult children of workers who have died or retired.<sup>1</sup> Under Title XVI of the Act, SSA provides SSI payments to aged, blind, or disabled adults and children determined to be eligible based on income and resources.<sup>2</sup>

Benefit payments greater than the amount to which individuals are entitled for any period are considered overpayments.<sup>3</sup> For Fiscal Year (FY) 2013, SSA reported it processed over 3 million overpayments<sup>4</sup> and collected \$3.46 billion in RSI, DI, and SSI benefit overpayments.<sup>5</sup>

For our analysis, we identified approximately 983,000 RSI, DI, and SSI overpayments with a debt detection date during FYs 2008 through 2013 (see Table 1) from 1 segment of the Recovery of Overpayments, Accounting, and Reporting (ROAR) system and the Supplemental Security Record (SSR).<sup>6</sup>

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<sup>1</sup> *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.* Under certain circumstances, disabled divorced spouses of deceased workers are also entitled to benefits.

<sup>2</sup> *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

<sup>3</sup> SSA, POMS, GN 02201.001 A (July 20, 2010).

<sup>4</sup> SSA's Workload Trend Report for September 2013 reported 3,065,463 overpayments processed.

<sup>5</sup> *Social Security Administration's Fiscal Year 2013 Agency Financial Report*.

<sup>6</sup> One segment of the SSR represents 5 percent of the total population of SSI recipients. One segment of the ROAR represents 20 percent of the total population of RSI and DI beneficiaries. However, to ensure consistency with the review of the SSR segment, we selected the SSNs that ended in 20 to 24, which represent one segment of the SSR. Therefore, for purposes of this review, one segment of the ROAR represents 5 percent of the total population of RSI and DI beneficiaries. The ROAR system controls the recovery and collection activities related to Title II benefit overpayments.

**Table 1: Total Overpayments for One Segment  
from October 2007 Through September 2013**

Program	Overpayments	
	Number	Amount
RSI	269,171	\$569,161,150
DI	112,328	619,502,144
SSI	601,248	595,301,091
<b>Total</b>	<b>982,747</b>	<b>\$1,783,964,385</b>

## RESULTS OF REVIEW

Generally, SSA attempted to collect overpayments regardless of the amount. In some cases, the value of the overpayment was less than what SSA spent to collect the overpayment. Therefore, for some overpayments, collection was not always cost-beneficial.

SSA collects data on the overall average costs to collect RSI, DI, and SSI overpayments via its Cost Analysis System (CAS). The average cost to collect RSI and DI overpayments reported in CAS includes the total cost for all actions related to collecting overpayments from beneficiaries under each program during a FY. However, the average cost to collect an SSI overpayment as reported in CAS does not represent the cost of collecting the SSI overpayment when multiple actions are required. This results in an understatement of the average cost to collect an SSI overpayment when multiple actions are required. By not collecting data using a similar methodology for all programs, SSA management does not have comparable information to determine the cost effectiveness of collecting low-dollar overpayments.

Based on our analysis using average cost data from CAS, we estimated SSA spent over \$323 million to collect low-dollar overpayments in FYs 2008 through 2013.<sup>7</sup> Using SSA's overpayment collection percentages for these FYs, we estimated SSA collected approximately \$109.4 million of the low-dollar overpayments. This resulted in SSA spending over \$213.6 million more than it collected.

The Agency has a variety of program integrity efforts with demonstrated positive returns-on-investment, such as full medical CDRs. Had the \$323 million SSA used to collect low-dollar overpayments in FYs 2008 through 2013 been used to process full medical CDRs, it may have been able to save approximately \$3.2 billion. However, the *Budget Control Act of 2011* capped the amount of additional new budget authority SSA could use for CDRs and SSI redeterminations for FYs 2012 through 2021. Therefore, SSA had limited authority to use these resources for other workloads.

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<sup>7</sup> We define a low-dollar overpayment as an overpayment that was less than, or equal to, SSA's average cost to collect the overpayment. We identified the average cost to collect overpayments for the RSI, DI, and SSI programs from SSA's CAS, SC3-SUM report.

## **Cost-benefit Was Not Considered in SSA's Overpayment Collection Process**

SSA takes collection action to initiate recovery of most overpayments regardless of dollar amount. These collection actions can include extensive effort to identify, notify, and resolve the overpayment.

### ***Identification and Notification***

The time and effort involved to identify an overpayment can vary greatly. Several factors affect how long it can take to identify the correct overpayment amount, such as the reason for the overpayment, how long the overpayment spanned, and whether there are auxiliary beneficiaries eligible on the record that may be affected.<sup>8</sup> Most individuals who incur an overpayment receive a notice of SSA's determination that they were overpaid. See Appendix B for the limited reasons a beneficiary would not receive a notice.

In some cases, SSA's systems can automatically generate overpayment notices. However, in other instances, the SSA employee must create a manual notice.<sup>9</sup> Some notices require extensive development, and SSA employees must prepare the entire notice. However, even notices that are partially automated require that someone identify the appropriate paragraphs and information to include in the notice.

Regardless of how the notice is prepared, all notification must include the reason (cause), amount, and months the beneficiary was overpaid. In addition, the notice provides the beneficiary several options to resolve the overpayment.<sup>10</sup>

### ***Resolution***

For all overpayments where the beneficiary has been notified, resolution actions can include several options regardless of the overpayment amount. If the beneficiary disputes the overpayment, he/she can ask SSA to reconsider the overpayment. The beneficiary may also request a waiver of recovery; full, immediate refund; adjustment of benefits; installment payments; cross-program recovery; compromise settlement;<sup>11</sup> or different rate of withholding, when full withholding is proposed.<sup>12</sup>

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<sup>8</sup> Eligible spouses and children of retired or disabled workers may be paid auxiliary benefits under Title II of the Act. In addition, benefits may also be payable to certain survivors of deceased workers. See *Social Security Act* § 202, 42 U.S.C. § 402.

<sup>9</sup> SSA, POMS, NL 00803.100 (November 13, 2014).

<sup>10</sup> SSA, POMS, GN 02201.009 B (July 16, 2012), SI 02201.025 A (March 18, 2015), and NL 00803.110 B (September 19, 2012).

<sup>11</sup> SSA, POMS, GN 02215.100 (April 27, 2012).

<sup>12</sup> SSA, POMS, GN 02201.009 B (July 16, 2012), SI 02220.001 A (February 25, 2013).

The beneficiary must inform SSA of the option chosen within 30 days of receiving the overpayment notice. If the beneficiary does not notify SSA of his/her decision, the Agency will initiate collection.<sup>13</sup>

## **Waiver**

SSA does have a policy to waive overpayments under certain conditions but only if the beneficiary requests the waiver. SSA can waive the overpayment if the beneficiary is without fault and recovery would defeat the purpose of Title II or XVI of the Act, be against equity and good conscience, or impede efficient administration of the Act because of the amount involved.<sup>14</sup> If these criteria are met, SSA can waive overpayments under a specific threshold without further development.<sup>15</sup> However, SSA is still required to notify the beneficiary of the overpayment, and the beneficiary must request the waiver.<sup>16</sup>

## **RSI and DI Collection Efforts**

For beneficiaries who are receiving benefit payments, SSA will generally propose withholding all or most of the monthly payment until the RSI or DI overpayment is recovered.<sup>17, 18</sup> However, the beneficiary can request a rate of withholding different than the entire monthly payment.<sup>19</sup> Finally, the beneficiary can request a compromise settlement or refund the full overpayment amount via check, money order, cash, credit card, or return of a benefit check.<sup>20</sup>

When SSA cannot recover the debt, it is authorized to use external debt-collection tools. For SSA to use these tools, the debtor generally must no longer be eligible to receive benefits and be alive, and the debt must be delinquent.<sup>21</sup>

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<sup>13</sup> SSA, POMS, GN 02201.009 F (July 16, 2012), SI 02220.001 A (February 25, 2013).

<sup>14</sup> *Social Security Act* § 204(b), 42 U.S.C. § 404(b).

<sup>15</sup> SSA, POMS, GN 02201.013 (March 17, 2015), GN 02250.001 (October 4, 2005), GN 02250.005 (October 7, 2014), GN 02250.100 (October 3, 2005), GN 02250.150 (January 25, 2012), and SI 02260.001 (September 4, 2014).

<sup>16</sup> SSA, POMS, GN 02201.009 B (July 16, 2012), SI 02220.001 (February 25, 2013).

<sup>17</sup> SSA, POMS, GN 02210.010 (January 28, 2014).

<sup>18</sup> The *Social Security Act* § 1147, 42 U.S.C. §1320b-17, permits SSA to recover RSI or DI overpayments from a beneficiary by decreasing any amount payable to that beneficiary's SSI payment. However, cross-program recovery is limited to 10 percent of a monthly benefit. Recovery from SSI benefits is limited to the lesser of the amount of that monthly benefit or 10 percent of the beneficiary's income for that month. *See also* SSA, POMS, GN 02210.008 (April 25, 2013).

<sup>19</sup> SSA, POMS, GN 02201.009 B.2, 3, and 6 (July 16, 2012).

<sup>20</sup> SSA, POMS, GN 02210.150 (October 16, 2008), GN 02215.100 (April 27, 2012).

<sup>21</sup> External debt collection tools include Treasury Offset Program, Administrative Wage Garnishment, and Credit Bureau Reporting. *See also* SSA, POMS, GN 02201.029 (January 31, 2014), GN 02201.040 (July 16, 2012), and GN 02201.032 (January 28, 2014).

However, SSA policy outlines tolerances for the recovery effort for overpaid individuals. For example, collection efforts are less robust for lower dollar overpayments.<sup>22</sup>

### **SSI Collection Efforts**

For SSI recipients who are receiving payments, if the recipient does not respond within 30 days of the notice of overpayment, SSA automatically begins withholding 10 percent of the payment amount beginning 60 days after the date of the notice.<sup>23, 24</sup> However, the recipient can request a different rate of withholding.<sup>25</sup> Finally, the recipient can request a compromise settlement or refund the full overpayment amount via check, money order, cash, credit card, or return of a benefit check.<sup>26</sup> In some instances, SSA's system, the SSI computation system, may apply an automatic uncollectible decision of certain overpayment amounts. In addition, collection of an overpayment may be suspended or terminated if the recipient is a resident of a public or private medical institution, and Medicaid is paying more than 50 percent of the cost of care.

If the overpaid individual is not receiving payments, SSA will send the debtor the initial overpayment notice and resolve the overpayment through full recovery, installment plan, compromise,<sup>27</sup> waiver,<sup>28</sup> or cross-program recovery.<sup>29</sup>

### **SSA's CAS**

SSA reports the total cost to collect RSI, DI, and SSI overpayments via its CAS. Further, SSA reports in CAS the overall average costs to collect these overpayments.<sup>30</sup> The overall average costs are shown in Table 2.

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<sup>22</sup> SSA, POMS, GN 02201.013 C (March 17, 2015). *Also see* SI 02220.000 (February 24, 2010).

<sup>23</sup> SSA, POMS, SI 02220.001 A.2 (February 25, 2013).

<sup>24</sup> The *Social Security Act* § 1147, 42 U.S.C. § 1320b-17, permits SSA to recover SSI overpayments from a beneficiary by decreasing any amount payable to that beneficiary's RSI or DI benefit. However, cross-program recovery is limited to 10 percent of a monthly benefit. *See also* SSA, POMS, GN 02210.008 (April 25, 2013).

<sup>25</sup> SSA, POMS, SI 02220.017 (March 18, 2015).

<sup>26</sup> SSA, POMS, SI 02220.030 (February 25, 2013), GN 02210.150 A.3 (October 16, 2008). In addition, SSA uses waivers, a determination that the debt did not exist, or a determination that the debt is uncollectible to resolve SSI overpayments. SI 02201.005 B (February 4, 2011).

<sup>27</sup> A compromise occurs when an individual offers to repay a lesser amount than the total amount owed and is relieved of responsibility for the remainder of the debt. SSA, POMS, SI 02220.030 (February 25, 2013).

<sup>28</sup> SSA, POMS, SI 02220.001 (February 25, 2013).

<sup>29</sup> *Social Security Act* § 1147, 42 U.S.C. § 1320b-17.

<sup>30</sup> For our review, we used CAS SC3-SUM Report. This report provides a top-down overview of each component's work years, payroll costs, other object costs, total costs, and unit cost contributions to each of SSA's end-product workloads. This report presents the fully loaded costs, which include costs attributed to administrative offices, such as the Office of the Commissioner (see Appendix C for additional information on the CAS).

**Table 2: Average Cost to Collect Overpayments by Program per CAS SC3-SUM Report**

FY	Program		
	RSI	DI	SSI
2008	\$183.00	\$145.42	\$49.52
2009	\$200.58	\$178.59	\$50.29
2010	\$223.09	\$208.27	\$50.52
2011	\$211.76	\$177.12	\$55.03
2012	\$202.75	\$162.08	\$57.98
2013 <sup>31</sup>	\$164.11	\$268.32	\$56.63

The methodology for reporting these average costs is different for SSI than it is for RSI and DI. Specifically, the average cost to collect RSI and DI overpayments reported in CAS includes the total cost for all actions related to collecting overpayments from beneficiaries under each program during a FY. The average cost for these programs is calculated by taking the total cost to collect the overpayments divided by the number of beneficiaries with overpayments. For example, for FY 2013, CAS reported the total cost to collect DI overpayments at \$75,069,026 for 279,774 overpaid beneficiaries. This resulted in an average cost of \$268.32 to collect a DI overpayment (\$75,069,025 divided by 279,774).

However, for SSI, the average cost to collect an overpayment reported in CAS is calculated by taking the total cost to collect the overpayments divided by the total number of actions SSA had to take to collect SSI overpayments from recipients during a FY. For example, for FY 2013, CAS reported the total cost to collect SSI overpayments at \$114,743,334. CAS also reported that SSA took 2,026,226 individual actions to collect these overpayments. This resulted in CAS reporting an average cost of \$56.63 to collect an SSI overpayment (\$114,743,334 divided by 2,026,226).

Accordingly, the average cost to collect an SSI overpayment as reported in CAS does not represent the cost of collecting the SSI overpayment when multiple actions are required to collect an SSI overpayment. For example, CAS reported the average cost to collect an SSI overpayment as \$56.63 for FY 2013. However, if an overpayment had five collection actions taken, the cost to collect that overpayment would be \$283.15 (\$56.63 times 5). As of the date of our review, SSA had captured the total actions taken to collect SSI overpayments but did not capture information on the average number of actions taken to collect an SSI overpayment. Therefore, it is not possible to determine how much the average cost to collect an SSI overpayment in CAS is understated when multiple actions are required to collect an SSI overpayment.

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<sup>31</sup> The average cost to collect an RSI overpayment decreased by 19.1 percent between FYs 2012 and 2013. The average cost to collect a DI overpayment increased by 65.5 percent between FYs 2012 and 2013. According to SSA, the differences occurred because of a methodology change SSA made in the CAS.

To ensure SSA management has comparable information to determine the cost-effectiveness of collecting low-dollar overpayments, SSA should capture in CAS the average cost of collecting an SSI overpayment using a similar methodology as it does for the RSI and DI programs.<sup>32</sup>

### *Cost to Collect Overpayments*

We identified a population of approximately 983,000 overpayments identified during FYs 2008 through 2013 (see Appendix A, Detailed Methodology). From this population, we determined there were approximately 143,000 overpayments, totaling \$6.4 million, where the overpayment amount was less than, or equal to, SSA's average cost to collect overpayments per CAS (see Table 3, Table A-2, Table A-4, and Table A-6).<sup>33</sup>

**Table 3: Low-Dollar Overpayments from One Segment of the ROAR and SSR for FYs 2008 Through 2013**

Program	Low-Dollar Overpayments	
	Number	Total
RSI	44,476	\$3,419,525
DI	14,362	1,132,121
SSI <sup>34</sup>	83,876	1,861,730
<b>Total</b>	<b>142,714</b>	<b>\$6,413,376</b>

Projecting our results to all segments of the ROAR and SSR, we estimated SSA had approximately 2.9 million overpayments, totaling \$128.3 million, where the overpayment was less than, or equal to, SSA's average cost to collect as reported in CAS. We estimated it would cost SSA over \$323 million to collect these low-dollar overpayments (see Table 4). After applying SSA's overpayment collection percentages, we estimated it would cost SSA over \$213.6 million more to collect these low-dollar overpayments than it would be able to recover.

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<sup>32</sup> We previously made recommendations to SSA related to CAS. Those recommendations and corrective actions SSA has taken are presented in Appendix D.

<sup>33</sup> To be consistent with SSA's methodology for calculating the average cost to collect an RSI or DI overpayment, we combined the individual overpayments by FY for beneficiaries with multiple overpayments (see Appendix A for Detailed Methodology).

<sup>34</sup> Although the average cost to collect SSI overpayments are not reported in CAS using the same methodology as RSI and DI, the CAS data are the only cost information available for us to use to calculate the cost to collect low-dollar overpayments.

**Table 4: Estimated Cost to Collect Low-Dollar RSI, DI, and SSI Overpayments for All 20 Segments for FYs 2008 Through 2013**

Program	Estimated Overpayments		Estimated Amount Collected	Estimated Total Cost to Collect	Excess Cost to Collect
	Number	Amount			
RSI	889,520	\$68,390,500	\$58,131,925	\$177,142,774	(\$119,010,849)
DI	287,240	22,642,420	16,755,391	55,743,778	(38,988,387)
SSI	1,677,520	37,234,600	34,469,320	90,119,655	(55,650,335)
<b>Total</b>	<b>2,854,280</b>	<b>\$128,267,520</b>	<b>\$109,356,636</b>	<b>\$323,006,207</b>	<b>(\$213,649,571)</b>

## Redirection of Resources Used to Collect Low-Dollar Overpayments

The Acting Commissioner has testified, “[SSA] must maintain the public’s trust by effective stewardship of program dollars and administrative resources. [SSA’s] ability to identify and pursue improper payments is ultimately determined by available resources.”<sup>35</sup>

If SSA had the authority, it would have been cost-beneficial for it to direct the \$323 million it used to collect low-dollar overpayments for the RSI, DI, and SSI programs in FYs 2008 through 2013 to process other workloads. Specifically, the Agency has a variety of program integrity efforts with demonstrated positive returns-on-investment, such as medical CDRs and SSI non-medical redeterminations. For example, if these funds were directed to performing full medical CDRs on DI beneficiaries and SSI recipients, SSA may have had the opportunity to save approximately \$3.2 billion.<sup>36</sup> However, the *Budget Control Act of 2011* capped the amount of additional new budget authority SSA could use for CDRs and SSI redeterminations for FYs 2012 through 2021. Therefore, SSA has limited authority to use these resources for other workloads.<sup>37</sup>

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<sup>35</sup> *Service Delivery Challenges* hearing before the House Committee on Appropriations, Subcommittee on Labor, Health and Human Services, Education, and Related Agencies, 113<sup>th</sup> Cong. (March 14, 2013) (written statement of Carolyn Colvin, Acting Commissioner of the Social Security Administration).

<sup>36</sup> To ensure SSA pays disability benefits only to those who continue meeting the medical requirements, SSA periodically conducts full medical CDRs. According to SSA, at the end of FY 2013, SSA estimated a backlog of 1.3 million full medical CDRs. Each year, SSA estimates the return-on-investment for CDRs. We identified SSA’s estimated CDR return on investments for the FYs in our review and multiplied by the total cost to collect low-dollar overpayments identified in our review. The cost savings for each CDR for FYs 2008 through 2012 was \$10, as reported in the FY 2008 Budget Justification and Annual Performance Plans for FYs 2009 through 2012. The cost savings for each CDR in FY 2013 was \$9, as reported in the Annual Performance Plan for FYs 2013. See Appendix A for calculation.

<sup>37</sup> Pub. L. No. 112-25, § 101, 2 U.S.C. § 901.

## **CONCLUSIONS**

SSA collects data on the overall average costs to collect RSI, DI, and SSI overpayments via CAS. The average cost to collect RSI and DI overpayments reported in CAS includes the total cost for all actions related to collecting overpayments from beneficiaries under each program during a FY. However, the average cost to collect an SSI overpayment, as reported in CAS, does not represent the cost of collecting the SSI overpayment when multiple actions are required. This results in an understatement of the average cost to collect an SSI overpayment when multiple actions are required. By not collecting data using a similar methodology for all programs, SSA management does not have comparable information to determine the cost effectiveness of collecting low-dollar overpayments.

Based on our analysis using average cost data from CAS, we estimated SSA spent over \$323 million to collect overpayments where the overpayment was less than, or equal to, the average costs to collect overpayments in FYs 2008 through 2013. Using SSA's overpayment collection percentages for these FYs, we estimated it cost SSA over \$213.6 million more than it will collect to recover these low-dollar overpayments.

## **RECOMMENDATIONS**

We recommend SSA:

1. Capture in CAS the average cost of collecting an SSI overpayment using a similar methodology as it does for the RSI and DI programs.
2. Re-evaluate its process for collecting overpayments where the value of the overpayment is less than what SSA spends to collect the overpayment to ensure it expends resources on activities that result in the greatest return on investment.

## **AGENCY COMMENTS AND OIG RESPONSE**

SSA agreed with our recommendations. See Appendix E for the Agency's comments.

SSA also provided general comments on our report. First, SSA expressed concerns with our methodology for applying the average cost to collect an SSI overpayment to all SSI overpayments because those that did not require any actions by an SSA employee would not have an associated cost. We acknowledge that this may be true for some SSI overpayments. However, since SSA does not track the number of actions taken on SSI overpayments, we were unable to exclude SSI overpayments that did not require any actions by an SSA employee from our methodology. Conversely, some SSI overpayments may have required more than one action. Again, since SSA did not track the number of actions taken on SSI overpayments, we considered a minimum of one action taken on all SSI overpayments. Therefore, as stated in our report, we believe considering one action per SSI overpayment is a conservative average given that SSA does not have management information available for us to determine the exact number of actions taken on each overpayment. SSA further stated that not every low-dollar overpayment would cost the average amount to process. We agree; however, the average cost to collect SSI

overpayments reported in CAS was the only cost information SSA had available for us to calculate the cost to collect low-dollar SSI overpayments.

SSA also provided comments related to devoting the resources used to collect low-dollar overpayments to other workloads, such as medical CDRs. Specifically, SSA stated that the FY 2015 appropriations language mandates a cap on program integrity spending, thus SSA cannot simply shift funds to increase the volume of CDRs processed this FY. We acknowledge that the *Budget Control Act of 2011* capped the amount of additional new budget authority SSA could use for CDRs and SSI redeterminations for FYs 2012 through 2021.<sup>38</sup> We also acknowledge that, included in the President's FY 2016 budget request, is SSA's proposal to repeal the discretionary caps on program integrity funding beginning in FY 2017.<sup>39</sup>

Our report shows that SSA is devoting resources to collect low-dollar overpayments where there is a negative return-on-investment. Accordingly, we believe the information we present in our report related to devoting the resources used to collect low-dollar overpayments to other workloads, such as medical CDRs, demonstrates the savings that could be realized if SSA had the authority to use these resources for other workloads. We hope this information will be valuable to SSA as it continues to work with the Committees with influence over its budget to achieve optimal savings.

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<sup>38</sup> Pub. L. No. 112-25, § 101, 2 U.S.C. § 901.

<sup>39</sup> *Budget of the United States Government, Fiscal Year 2016, Analytical Perspectives, Budget Concepts and Budget Process*, § 11.I. p. 123.

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations and pertinent sections of the Program Operations Manual System related to processing overpayments, including identification, notification, and recovery actions.
- Reviewed prior Office of the Inspector General reports.
- Obtained Retirement and Survivors Insurance (RSI) and Disability Insurance (DI) overpayments with Social Security numbers ending in 20 to 24 from one segment of the Recovery of Overpayments, Accounting, and Reporting (ROAR) system with a debt detection date during the period October 1, 2007 through September 30, 2013.<sup>1</sup>
- Obtained Supplemental Security Income (SSI) overpayments from one segment of the Supplemental Security Record (SSR) with a debt detection date during the period October 1, 2007 through September 30, 2013.<sup>2</sup>
- Obtained cost information from the Social Security Administration’s (SSA) Cost Analysis System (CAS).
- Calculated the estimated cost to collect low-dollar RSI, DI, and SSI overpayments for all segments of the ROAR and SSR—the results of our sample multiplied by 20.
- Calculated the estimated cost-benefit of devoting resources to continuing disability review (CDR) workloads.

### **Detailed Methodology**

From one segment of the ROAR, we identified 269,171 RSI overpayments and 112,328 DI overpayments for our review. From 1 segment of the SSR, we identified 601,248 individual SSI overpayments with a debt detection date during FYs 2008 through 2013. Accordingly, we identified 982,747 overpayments (see Table A–1).

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<sup>1</sup> One segment of the ROAR represents 20 percent of the total population of RSI and DI beneficiaries. However, to ensure consistency with the review of the SSR segment, we selected the SSNs that end in 20 to 24, which represent one segment of the SSR. Therefore, for purposes of this review, one segment of the ROAR represents 5 percent of the total population of RSI and DI beneficiaries. The ROAR system controls the recovery and collection activities related to Title II benefit overpayments.

<sup>2</sup> One segment of the SSR represents 5 percent of the total population of SSI recipients.

**Table A–1: Overpayments Detected Between October 1, 2007 and September 30, 2013**

Program	Overpayments	
	Number	Amount
RSI	269,171	\$569,161,150
DI	112,328	619,502,144
SSI	601,248 <sup>3</sup>	595,301,091
<b>Total</b>	<b>982,747</b>	<b>\$1,783,964,385</b>

We identified 11,654 RSI and 124 DI overpayments that were a result of dollar-down rounding. We excluded these overpayments from our population because overpayments caused solely by dollar-down rounding are automatically waived.<sup>4</sup> To arrive at our population of RSI and DI overpayments, we combined the individual overpayments by FY for beneficiaries with multiple overpayments. This approach is consistent with SSA’s methodology for calculating the average cost to collect an RSI or DI overpayment. From our population, we identified low-dollar overpayments—overpayments where the dollar amount of the overpayment was less than or equal to SSA’s average cost to collect an overpayment as reported in CAS for the FYs under review (see Table A–2, Table A–4, and Table A–6).<sup>5</sup>

To estimate the total low-dollar overpayments and the cost to collect them for all segments of the ROAR and SSR, we multiplied the number of overpayments and total amount of the overpayments for 1 segment times 20.

### *RSI Overpayments*

During FYs 2008 through 2013, we estimated SSA processed over 889,000 RSI overpayments that were less than the average cost to collect, with the median overpayment being \$62. These overpayments totaled approximately \$68.4 million. Based on the average cost to collect as identified in the CAS SC3-SUM Report, we estimated SSA spent over \$177.1 million to collect these overpayments (see Table A–2).

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<sup>3</sup> We found 7,347 overpayments where the original amount was greater than the average cost to collect; 6,127 overpayments where the original overpayment was less than the average cost to collect and were subsequently increased to be greater than the average cost to collect; and 57,301 instances where the net overpayment was zero (\$0.00), of which the original overpayment for 8,959 was less than the average cost to collect.

<sup>4</sup> SSA, POMS, GN 02250.330 (October 4, 2005).

<sup>5</sup> The original overpayment amount can be increased or decreased when additional information comes to SSA’s attention that results in a change to the payment amount for the same period. Therefore, for SSI overpayments, we took the original posted overpayment—with a debt detection date between October 1, 2007 and September 30, 2013—and increased or decreased the overpayment amount as necessary to determine the net overpayment. However, the ROAR does not identify the original amount of the overpayment. Therefore, for RSI and DI overpayments, we used the amount reported on the ROAR.

**Table A–2: RSI Low-Dollar Overpayments Detected  
Between October 1, 2007 and September 30, 2013**

Fiscal Year	Average Cost to Collect per CAS	One Segment			20 Segment Estimate		
		Number	Median	Total Amount	Number	Total Overpayment Amount	Total Cost to Collect
2008	\$183.00	7,115	\$60.90	\$517,342	142,300	\$10,346,840	\$26,040,900
2009	\$200.58	6,752	\$72.00	549,214	135,040	10,984,280	27,086,323
2010	\$223.09	7,969	\$81.00	719,051	159,380	14,381,020	35,556,084
2011	\$211.76	8,790	\$54.00	660,903	175,800	13,218,060	37,227,408
2012	\$202.75	7,471	\$63.00	579,549	149,420	11,590,980	30,294,905
2013	\$164.11	6,379	\$48.00	393,466	127,580	7,869,320	20,937,154
<b>Total</b>	-	<b>44,476</b>	<b>\$62.00</b>	<b>\$3,419,525</b>	<b>889,520</b>	<b>\$68,390,500</b>	<b>\$177,142,774</b>

Further, we determined that SSA collected 85 percent of the total RSI low-dollar overpayments.<sup>6</sup> At this rate of collection, we estimated SSA only collected \$58 million of the RSI low-dollar overpayments. This resulted in SSA spending \$119 million more than it was able to collect (see Table A–3).

**Table A–3: Excess Cost to Collect RSI Low-Dollar Overpayments for All 20 Segments**

Total Overpayment Amount	Collection Percentage	Estimated Amount Collected	Estimated Total Cost to Collect	Excess Cost to Collect
\$68,390,500	85%	\$58,131,925	\$177,142,774	(\$119,010,849)

### *DI Overpayments*

During FYs 2008 through 2013, we estimated that SSA processed more than 280,000 DI overpayments that were less than the average cost to collect, with the median overpayment being \$69.04. These overpayments totaled over \$22.6 million. Based on the average cost to collect as identified in the CAS Report SC3-SUM, we estimated SSA spent more than \$55.7 million to collect these overpayments (see Table A–4).

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<sup>6</sup> For RSI low-dollar overpayments identified in our review, we determined the actual amount of the overpayments collected. We then divided the amount collected by the total low-dollar of overpayments to arrive at the percentage collected.

**Table A–4: DI Low-Dollar Overpayments Detected between October 1, 2007 and September 30, 2013**

Fiscal Year	Average Cost to Collect per CAS	One Segment			20 Segment Estimate		
		Number	Median	Total Amount	Number	Total Overpayment Amount	Total Cost to Collect
2008	\$145.42	1,948	\$50.00	\$110,705	38,960	\$2,214,100	\$5,665,563
2009	\$178.59	2,145	\$66.00	157,704	42,900	3,154,080	7,661,511
2010	\$208.27	2,570	\$76.00	215,163	51,400	4,303,260	10,705,078
2011	\$177.12	2,394	\$66.00	173,817	47,880	3,476,340	8,480,506
2012	\$162.08	2,465	\$60.00	164,799	49,300	3,295,980	7,990,544
2013	\$268.32	2,840	\$99.00	309,933	56,800	6,198,660	15,240,576
<b>Total</b>	-	<b>14,362</b>	<b>\$69.04</b>	<b>\$1,132,121</b>	<b>287,240</b>	<b>\$22,642,420</b>	<b>\$55,743,778</b>

Further, we determined that SSA collected 74 percent of the total DI low-dollar overpayments.<sup>7</sup> At this rate of collection, we estimated SSA only collected approximately \$16.8 million of the DI low-dollar overpayments. This resulted in SSA spending approximately \$39 million more than it was able to collect (see Table A–5).

**Table A–5: Excess Cost to Collect Low-Dollar DI Overpayments for All 20 Segments**

Total Overpayment Amount	Collection Percentage	Estimated Amount Collected	Estimated Total Cost to Collect	Excess Cost to Collect
\$22,642,420	74%	\$16,755,391	\$55,743,778	(\$38,988,387)

### *SSI Overpayments*

We estimated that, during FYs 2008 through 2013, SSA processed approximately 1.7 million SSI overpayments that were less than the average cost to collect with the median overpayment being \$20.29. These overpayments totaled over \$37.2 million.

Based on the average cost to collect as identified in the CAS Report SC3-SUM, we estimated SSA spent \$90.1 million to collect one action for each of these overpayments (see Table A–6). However, we believe this is a conservation estimate of the cost to collect these SSI overpayments

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<sup>7</sup> For DI low-dollar overpayments identified in our review, we determined the actual amount of the overpayments collected. We then divided the amount collected by the total low-dollar of overpayments to arrive at the percentage collected.

since multiple actions may have been taken for some overpayments.<sup>8</sup> Had SSA taken a second action on even half of these overpayments, the cost to collect them would be \$135.2 million.

**Table A–6: SSI Low-Dollar Overpayments Detected Between October 1, 2007 and September 30, 2013**

Fiscal Year	Average Cost to Collect per CAS <sup>9</sup>	One Segment			20 Segment Estimate		
		Number	Median	Total Amount	Number	Total Amount	Total Cost to Collect
2008	\$49.52	11,429	\$19.00	\$228,939	228,580	\$4,578,780	\$11,319,282
2009	\$50.29	12,540	\$20.00	266,032	250,800	5,320,640	12,612,732
2010	\$50.52	13,256	\$20.60	294,355	265,120	5,887,100	13,393,862
2011	\$55.03	14,693	\$22.00	345,393	293,860	6,907,860	16,171,116
2012	\$57.98	15,816	\$20.37	361,004	316,320	7,220,080	18,340,234
2013	\$56.63	16,142	\$20.50	366,007	322,840	7,320,140	18,282,429
<b>Total</b>	-	<b>83,876</b>	<b>\$20.29</b>	<b>\$1,861,730</b>	<b>1,677,520</b>	<b>\$37,234,600</b>	<b>\$90,119,655</b>

Further, 93 percent of the SSI low-dollar overpayments were available to be collected. Had SSA collected these overpayments, we estimate SSA would collect approximately \$34.5 million of the SSI low-dollar overpayments.<sup>10</sup> This would have resulted in SSA spending approximately \$55.7 million more than it was able to collect (see Table A–7).

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<sup>8</sup> SSA determines the average cost to collect SSI overpayments based on each action for the collection of the overpayment. SSA defines an action as every time it has to manage an overpayment. While an overpayment can have multiple actions, SSA does not track the number of actions per overpayment. Some SSI overpayments may not have any actions taken other than the identification of the overpayment. However, some overpayments may have more than one action.

<sup>9</sup> The average cost to collect an SSI overpayment as reported in CAS does not represent the cost of collecting the SSI overpayment when multiple actions are required to collect an SSI overpayment. As of the date of our review, SSA did not capture information on the average number of actions taken to collect an SSI overpayment. Therefore, it is not possible to determine how much the average cost to collect an SSI overpayment in CAS is understated when multiple actions are required to collect an SSI overpayment. See SSA's section of this report for a detailed discussion of this issue.

<sup>10</sup> Because collection actions were not directly associated with specific overpayments on the SSR, we were unable to conduct electronic analysis to determine the amount of SSI overpayments collected for the specific low-dollar overpayments in our review. However, based on our data, we estimate 95,240 overpayments totaling \$2,765,280 were waived. Therefore, to be conservative, we removed the waived amount from the total overpayment amount and considered the effects of collecting low-dollar overpayments if the entire unwaived overpayment was collected.

**Table A–7: Excess Cost to Collect Low-Dollar SSI Overpayments for All 20 Segments**

Total Overpayment Amount	Collection Percentage	Estimated Amount Collected	Estimated Total Cost to Collect	Excess Cost to Collect
\$37,234,600	93%	\$34,469,320	\$90,119,655	(\$55,650,335)

### *Total Overpayments*

Based on our analysis, we estimated there were approximately 2.9 million low-dollar overpayments totaling \$128.3 million. Using SSA's average cost to collect, we estimated that it cost SSA over \$323 million to collect these low-dollar overpayments. We estimated SSA collected approximately \$109.4 million of the low-dollar overpayments. This resulted in SSA spending over \$213.6 million more than it was able to collect (see Table A–8).

**Table A–8: Excess Cost to Collect Low-Dollar Overpayments for All 20 Segments**

Program	Estimated Overpayments		Estimated Amount Collected	Estimated Total Cost to Collect	Excess Cost to Collect
	Number	Amount			
RSI	889,520	\$68,390,500	\$58,131,925	\$177,142,774	(\$119,010,849)
DI	287,240	22,642,420	16,755,391	55,743,778	(38,988,387)
SSI	1,677,520	37,234,600	34,469,320	90,119,655	(55,650,335)
<b>Total</b>	<b>2,854,280</b>	<b>\$128,267,520</b>	<b>\$109,356,636</b>	<b>\$323,006,207</b>	<b>(\$213,649,571)</b>

### *Redirecting Funds*

To estimate the potential savings SSA could realize if it did not process low-dollar overpayments for the RSI, DI and SSI programs in FYs 2008 through 2013, we multiplied the estimated total cost to collect low-dollar overpayments by SSA's full medical CDR return on investment (see Table A–9, Table A–10, and Table A–11).

**Table A–9: RSI Estimated Cost Savings if Conducting Full Medical CDRs on DI Beneficiaries and SSI Recipients**

Fiscal Year	Estimated Overpayments	Estimated Total Cost to Collect	CDR Return on Investment <sup>11</sup>	Potential Savings
2008	142,300	\$26,040,900	\$10	\$260,409,000
2009	135,040	27,086,323	\$10	270,863,230
2010	159,380	35,556,084	\$10	355,560,840
2011	175,800	37,227,408	\$10	372,274,080
2012	149,420	30,294,905	\$10	302,949,050
2013	127,580	20,937,154	\$9	188,434,386
<b>Total</b>	<b>889,520</b>	<b>\$177,142,774</b>		<b>\$1,750,490,586</b>

**Table A–10: DI Estimated Cost Savings if Conducting Full Medical CDRs on DI Beneficiaries and SSI Recipients**

Fiscal Year	Estimated Overpayments	Estimated Total Cost to Collect	CDR Return on Investment <sup>12</sup>	Potential Savings
2008	38,960	\$5,665,563	\$10	\$56,655,630
2009	42,900	7,661,511	\$10	76,615,110
2010	51,400	10,705,078	\$10	107,050,780
2011	47,880	8,480,506	\$10	84,805,060
2012	49,300	7,990,544	\$10	79,905,440
2013	56,800	15,240,576	\$9	137,165,184
<b>Total</b>	<b>287,240</b>	<b>\$55,743,778</b>		<b>\$542,197,204</b>

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<sup>11</sup> The cost savings for CDRs for FYs 2008 through 2012 was \$10, as reported in the FY 2008 Budget Justification and Annual Performance Plans for FYs 2009 through 2012. The cost savings for CDRs in FY 2013 was \$9, as reported in the Annual Performance Plan for FYs 2013. We acknowledge that the CDR return on investment may be lower as the volume of CDRs processed increases.

<sup>12</sup> Id.

**Table A–11: SSI Estimated Cost Savings if Conducting Full Medical CDRs on DI beneficiaries and SSI recipients**

Fiscal Year	Estimated Overpayments	Estimated Total Cost to Collect	CDR Return on Investment <sup>13</sup>	Potential Savings
2008	228,580	\$11,319,282	\$10	\$113,192,820
2009	250,800	12,612,732	\$10	126,127,320
2010	265,120	13,393,862	\$10	133,938,620
2011	293,860	16,171,116	\$10	161,711,160
2012	316,320	18,340,234	\$10	183,402,340
2013	322,840	18,282,429	\$9	164,541,861
<b>Total</b>	<b>1,677,520</b>	<b>\$90,119,655</b>		<b>\$882,914,121</b>

Based on our analysis, if SSA devoted the resources it used to process the 2.8 million RSI, DI, and SSI low-dollar overpayments to conducting full medical CDRs on DI beneficiaries and SSI recipients for each FY under review, we determined SSA could have saved approximately \$3.2 billion (see Table A–12).

**Table A–12: Potential Savings**

Program	Estimated Overpayments	Potential Savings
RSI	889,520	\$1,750,490,586
DI	287,240	542,197,204
SSI	1,677,520	882,914,121
<b>Total</b>	<b>2,854,280</b>	<b>\$3,175,601,911</b>

We conducted our review between September and November 2014 in Kansas City, Missouri. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency’s *Quality Standards for Inspection and Evaluation*. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our objective.

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<sup>13</sup> Id.

## **Appendix B – BACKGROUND**

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### **Notification not Sent to the Beneficiary**

The Social Security Administration (SSA) does not send a notice when the overpayment is<sup>1</sup>

- less than \$1, and the notice would have to be processed manually;<sup>2</sup>
- \$1 or more but less than \$30, would have to be processed manually, SSA does not have a payment to process for any other individuals on the same record that the overpayment can be deducted from, or the manual notice is not being prepared for any other reasons;
- \$30 or more, the individual is deceased, a death benefit is not payable, a representative payee or contingent beneficiaries are not liable, or there is not an estate to collect from when the overpayment is greater than \$200.

In addition, SSA does not notify the beneficiary or attempt recovery of an overpayment due solely to dollar down rounding. Dollar-down rounding occurs when a beneficiary is dually entitled to benefits and because SSA rounds each benefit down to the dollar before payment. The rounding caused the combined payment to be \$1.00 less.<sup>3</sup>

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<sup>1</sup> SSA, POMS, GN 02201.013 (March 17, 2015).

<sup>2</sup> SSA, POMS, NL 00803.100 (November 13, 2014). Manual overpayment notices are used when an overpayment is excluded from the automated system or the automated notice is suppressed.

<sup>3</sup> SSA, POMS, GN 02250.330 (October 4, 2005).

## **Appendix C – COST ANALYSIS SYSTEM**

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The Social Security Administration (SSA) uses a cost allocation process to allocate administrative costs to Trust and general fund programs administered by the Agency and reimbursable work performed by SSA for outside organizations. The Cost Analysis System (CAS) is a key component of the cost allocation process. The *Social Security Act*<sup>1</sup> authorizes SSA to allocate administrative costs to the trust funds for which it provides administrative support to the: Retirement and Survivors Insurance (RSI) Trust, Disability Insurance (DI) Trust, Health Insurance Trust, and Supplemental Medical Insurance Trust Funds. The cost allocation process determines actual administrative costs chargeable to Trust Fund activities, general fund programs, and other reimbursable programs. SSA uses CAS to allocate administrative costs to these four trust funds and general fund programs administered by SSA, such as the Supplemental Security Income program.

CAS integrates data from payroll, Agency work measurement systems, and the SSA core financial accounting system and assigns costs to specific program activities and workloads. CAS provides workload, work year, and administrative cost data needed to accomplish essential cost accounting functions at the Agency and major component levels. It is the central part of SSA's cost analysis program, embodying the cost allocation policy and principles established by the Agency.

CAS carries out essential cost accounting functions for SSA. These include

- determining actual administrative costs chargeable to Trust Fund activities, general fund programs, and certain reimbursable programs;
- determining unit costs for SSA and component workloads; and
- providing data for other general management information and analysis needs.

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<sup>1</sup> *Social Security Act* § 201 (g)(1)(A)(ii), 42 U.S.C. §401(g)(1)(A)(ii).

## **Appendix D – PRIOR COST ANALYSIS SYSTEM AUDIT FINDINGS**

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The Office of the Inspector General (OIG) conducted prior audits related to the Social Security Administration's (SSA) Cost Analysis System (CAS) and cost allocation methodology.<sup>1</sup> Findings reported in these reviews included that the cost allocation methodology did not:

1. Fully comply with Federal cost accounting standards.
  - a. SSA disagreed with this finding and stated acceptable cost accounting methods were used that complied with Office of Management and Budget accounting standards. In addition, SSA stated it routinely reviewed CAS and updated them as necessary.
2. Assign certain shared workload costs to accurately reflect the work effort involved.
  - a. SSA agreed with this finding, and, in Fiscal Year (FY) 2013, modified CAS.
3. Use actual expenses in assigning costs to reported periods and outputs.
  - a. SSA disagreed with this finding. SSA stated it was already using certain operating expenses as part of the overall cost allocation process and using budgetary data in computations. SSA further stated it performs annual analyses to determine whether the method remains comparable.
4. Have procedures to periodically revisit, update, and document significant changes to the cost allocation methodology.
  - a. SSA disagreed with this finding. SSA stated it already conducts an annual review and modifies CAS for any necessary changes
5. Have adequate supporting documentation.
  - a. SSA disagreed with this finding. SSA stated it updated manuals and documented procedures annually. In FY 2012, SSA began posting manual and procedural information updates to an internal website to maintain documentation in a single location.

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<sup>1</sup> SSA OIG, *Cost Analysis System Background Report and Viability Assessment* (A-15-10-20149), April 2011. SSA OIG, *The Social Security Administration Cost Allocation Process* (A-15-10-20151), December 2011. SSA OIG, *The Social Security Administration's Cost Allocation Methodology* (A-15-10-20152), June 2012.

6. Have adequate internal controls and main processes related to work sampling to ensure the completeness and reliability of the CAS data.
  - a. SSA agreed with this finding. SSA stated that on September 14, 2011, it informed the regional offices about simplified sampling procedures. In addition, SSA revised manuals to identify changes and reinforce procedures, and created specific guidance for managers.

## **Appendix E – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

Date: May 28, 2015

Refer To: S1J-3

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

From: Frank Cristaudo   
Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, "Cost-benefit Analysis of Processing Low-dollar Overpayments" (A-07-14-14065)--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 Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
"COST-BENEFIT ANALYSIS OF PROCESSING LOW-DOLLAR OVERPAYMENTS"  
(A-07-14-14065)**

**General Comments**

Thank you for the opportunity to review and comment on the draft report. We appreciate your incorporating some of the input we provided at the pre-publication phase of this report. We want to emphasize the following for the record.

We believe it is incorrect to presume that every collection of a Supplemental Security Income (SSI) overpayment requires at least one human action, so we do not agree with the OIG methodology to apply the average cost of recovering all overpayments for the low dollar overpayment SSI estimate. SSI overpayments result from changes in information posted to the SSI record. Examples of such information include telephone/mobile wage reports, and information posted to the Title II records and subsequently posted to the SSI record through an interface with our Master Beneficiary Record. These changes generate an automated system computation of the overpayment. Once generated, the SSI system may issue an automated overpayment notice and initiate automated recovery with no Social Security Administration (SSA) staff action. In the case where there is an automated notice, no request for waiver and no appeal filed, and no request to discuss the overpayment, there are potentially no SSA staff actions taken to recover the overpayment. We believe a more conservative estimate would begin with a minimum of one action for each overpayment in the sample that required a manual overpayment notice. In addition, there is no SSA staff action needed to apply a systems write-off to low-dollar overpayments as described in our Program Operational Manual System (SM 01310.330 *System-Applied Uncollectible Decisions*). Without detailed information on low dollar collection costs, we do not agree that every low dollar overpayment would cost the average amount.

Regarding the references to increase the number of medical Continuing Disability Review's (CDR) as an alternative to processing "low-dollar" overpayments as quoted below, we have two comments.

*"With SSA facing limited resources due to decreased appropriations and increasing workloads, it may have been cost-beneficial for SSA to direct the \$323 million it used to collect low-dollar overpayments to process other workloads. For example, if SSA had directed these funds to performing full medical continuing disability reviews (CDR), it may have had the opportunity to save approximately \$3.2 billion."*

First, the fiscal year (FY) 2015 appropriations language mandates a cap on program integrity spending, thus we cannot simply shift funds to increase the volume of CDRs processed this FY. Furthermore, even if the appropriations language did not exist, the nature of the CDR selection and release process results in a situation where we cannot alter the volume of CDRs processed in a given year by any significant amount during that FY.

Second, it appears that the \$3.2 billion CDR savings cited was determined by using an average return on investment (ROI) of roughly 10-1 often used in conjunction with medical CDRs. While that 10-1 ROI is what we computed as the average return per dollar spent, we have shown in a variety of analyses that the ROI depends very heavily on the types of medical CDR cases we complete. Our experience is that there are usually diminishing returns for higher volumes of CDRs processed. In addition, OIG should not use the number to represent the marginal ROI from doing additional CDRs. If the point is that we could have better spent money, it may be better stated that, “The agency has a variety of program integrity efforts with demonstrated positive return on investments such as medical Continuing Disability Reviews and Supplemental Security Income non-medical redeterminations.” Comparing those program integrity workloads with efforts to recover some subset of low-dollar overpayments would require a more thorough evaluation of the ROI.

In addition, we are concerned with some of the statements related to our overpayment collection processes. Page 2, 1<sup>st</sup> paragraph, last sentence states, “*SSA’s overpayment collection process does not generally consider whether collection is beneficial.*” Also, page 3, 1<sup>st</sup> paragraph, 1<sup>st</sup> sentence states, “*SSA policy rarely limits the activity to collect overpayment....*” These statements are not correct. If the intent is to indicate that we usually prepare notices, it should be plainly stated. As presented, the findings appear to be about the entire collection process. We have over 60 procedural references in place that use the amount of the overpayment as a guide for determining the extent of collection activity. We have 60 different procedural references where the amount of the overpayment determines the level of collection. While we could consider updating our methodology to reflect the current collection costs, to imply that cost is not generally considered is not accurate according to our current procedures. We have processes in place that determine whether a debt is deemed high priority or non-priority based on the amount of that debt. Other sections of the report recognize that we use cost-based procedures as stated on page 5, third paragraph, “*SSA policy outlines tolerances for the recovery effort for overpaid individuals.*” We suggest revising the report to reflect that we do consider cost in our collection process.

### **Recommendation 1**

Capture in CAS the average cost of collecting an SSI overpayment using a similar methodology as it does for the RSI and DI programs.

### **Response**

We agree that tracking counts for a workload across different programs using a similar methodology would be ideal. Achieving such a result requires the availability of systems resources for building a tracking system or data store where comparable data exists. Because such funding is not available, we will continue to use the data we have available for this work until we can implement a suitable replacement.

## **Recommendation 2**

Re-evaluate its process for collecting overpayments where the value of the overpayment is less than what SSA spends to collect the overpayment to ensure it expends resources on activities that result in the greatest return on investment.

## **Response**

We agree. We will work with stakeholders to review the process for collecting overpayments where the value of the overpayment is less than what we spend to collect the overpayment. The evaluation should include other factors such as reporting deterrents as well as the costs to collect the overpayment.

## **Appendix F – MAJOR CONTRIBUTORS**

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Karis Crane, Auditor

## MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

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**Website:** <http://oig.ssa.gov/report-fraud-waste-or-abuse>

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Baltimore, Maryland 21235

**FAX:** 410-597-0118

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