



## SOCIAL SECURITY

### **MEMORANDUM**

Date: September 27, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2012 (A-15-12-12141)

The attached final quick response evaluation presents the results of our review. Our objectives were to review the Social Security Administration Accountable Official's Annual Report to the Office of the Inspector General, as required by Executive Order 13520, *Reducing Improper Payments*, and determine whether the (1) figures presented were accurate and (2) Agency complied with all requirements of the Executive Order.

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

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

Patrick P. O'Carroll, Jr.

Attachment

# **QUICK RESPONSE EVALUATION**

*The Social Security Administration's  
Plan to Reduce Improper Payments Under  
Executive Order 13520, as Reported  
in March 2012*

**A-15-12-12141**



September 2012

## **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.**

# *Background*

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## **OBJECTIVES**

Our objectives were to review the Social Security Administration (SSA) Accountable Official's Annual Report to the Office of the Inspector General (OIG), as required by Executive Order 13520, *Reducing Improper Payments*, and determine whether the (1) figures presented were accurate and (2) Agency complied with all requirements of the Executive Order.

## **BACKGROUND**

On November 20, 2009, the President signed Executive Order 13520.<sup>1</sup> The Executive Order provides that, when the "Government makes payments to individuals and businesses, [such] as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm the right recipient is receiving the [correct] payment . . .".<sup>2</sup> The purpose of the Executive Order ". . . is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure Federal programs serve and provide access to their intended beneficiaries."<sup>3</sup>

As part of the requirements of the Executive Order,<sup>4</sup> each agency with a high-priority program identified by the Office of Management and Budget (OMB) shall, within 180 days of the Order, provide the agency's OIG a report containing the

1. methodology for identifying and measuring improper payments by the agency's high-priority programs;
2. plans, along with supporting analysis, for meeting the reduction targets for improper payments in the agency's high-priority programs; and
3. plan, along with supporting analysis, for ensuring that initiatives undertaken pursuant to the Order do not unduly burden program access and participation by eligible beneficiaries.

Within 180 days of the issuance of the Order and at least once every quarter thereafter, each agency head is also required to submit to the agency's OIG and the Council of Inspectors General on Integrity and Efficiency (CIGIE), and make available to the public,

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<sup>1</sup> *Reducing Improper Payments*, 74 Fed. Reg. 62201 (published November 25, 2009).

<sup>2</sup> Id at Sec. 1.

<sup>3</sup> Id.

<sup>4</sup> 74 Fed. Reg. 62202, Section 3(b).

a report on high-dollar improper payments identified by the agency, subject to Federal privacy policies and to the extent permitted by law.<sup>5</sup> Agencies are also required to place a prominently displayed link on their Internet homepages to resources for addressing improper payments.<sup>6</sup> Such resources include information about improper payments under high-priority programs and a central method for collecting information concerning suspected incidents of fraud, waste, and abuse by an entity receiving Federal funds that has led or may lead to improper payments by the Government.<sup>7</sup> These resources are required to be published by the Secretary of the Treasury in coordination with the Attorney General and the Director of OMB.<sup>8</sup>

## HIGH-PRIORITY PROGRAMS

OMB guidance specifies how it will determine the high-priority programs as required under section 2(a)(i) of Executive Order 13520.<sup>9</sup> The Director of OMB will determine high-priority programs annually based on improper payment reporting in agencies' annual Performance and Accountability Reports (PAR) or Agency Financial Reports (AFR).<sup>10</sup> The Director of OMB will classify a program as high priority if the program meets the following criteria.<sup>11</sup>

1. It is susceptible to significant improper payments, as defined by legislation and OMB implementing guidance and either
  - Measured and reported errors above the threshold determined by OMB, and contributed to the majority of improper payments in the most recent reporting year; or
  - Has not reported an improper payment dollar amount in the most recent reporting year, but has in the past reported errors above the threshold determined by OMB and not received relief from OMB from measuring and reporting; or
  - Has not yet reported an overall program improper payment dollar amount, but the aggregate of the measured program's component errors are above the threshold.

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<sup>5</sup> 74 Fed. Reg. 62203, Section 3(f).

<sup>6</sup> 74 Fed. Reg. 62202, Section 2(d).

<sup>7</sup> 74 Fed. Reg. 62201 to 62202, Sections 2(b) and 2(c).

<sup>8</sup> Id.

<sup>9</sup> OMB, M-10-13, Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments*, Section (A)(1)(e), March 22, 2010 page 5.

<sup>10</sup> Id.

<sup>11</sup> Id.

2. For those programs with error amounts close to the threshold, but with error rates below 2 percent of program outlays, agencies may work with OMB to determine whether the program can be exempt from fulfilling certain requirements of the Executive Order.

The Fiscal Year (FY) 2010 threshold was \$750 million in improper payments, as reported in each agency's PAR or AFR.<sup>12</sup>

## IMPROPER PAYMENTS

Each year, SSA reports payment accuracy rates for the Retirement, Survivors and Disability Insurance (RSI) and Supplemental Security Income (SSI) programs based on its stewardship reviews. The Agency uses the reviews as the basic measure to report on the accuracy of benefit payments. Each year, SSA reports over- and underpayments from its stewardship reviews of nonmedical aspects of the Retirement and Survivors Insurance (RSI), Disability Insurance (DI), and SSI programs. In accordance with OMB's guidelines,<sup>13</sup> implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA),<sup>14</sup> SSA reports payments that should not have been made or payments that were made in an incorrect amount as improper. Stewardship review findings provide the basis for reports to monitoring authorities. The Agency also uses data from these reviews in corrective action planning and monitoring performance, as required by the *Government Performance and Results Act of 1993*.<sup>15</sup>

Payment accuracy rates developed in SSA's stewardship reviews reflect the accuracy of payments issued to RSDI beneficiaries and SSI recipients who received or were issued a payment for the sample month. Each month, the Agency selects a statistically valid national sample from the payment rolls, which consist of RSDI and SSI beneficiaries in current pay status. For each sample selected, the recipient or representative payee is interviewed; collateral contacts are made, as needed; and all nonmedical eligibility factors are redeveloped as of the current sample month. The Agency inputs the findings into a national database for analysis and report preparation. Separate rates are determined for accuracy of payments in terms of over- and underpayment dollars.

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<sup>12</sup> Id., at page 6.

<sup>13</sup> OMB, M-03-13, Implementation Guidance for the Improper Payments Information Act of 2002, Pub. L. No. 107-300, (May 21, 2003) page 1.

<sup>14</sup> Pub. L. No. 107-300, Section 2, 116 Stat. 2350, (2002).

<sup>15</sup> Pub. L. No. 103-62. Section 4, 107 Stat 285, 286 (1993).

# Results of Review

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Our review determined that the Agency (1) generally met the requirements of Executive Order 13520 and (2) accurately reported improper payment information except for three instances.

## REQUIREMENTS OF EXECUTIVE ORDER

In March 2010, OMB issued guidance<sup>16</sup> for implementing the requirements of the Executive Order. We reviewed the Accountable Official's March 14, 2012 Annual Report to ensure the Agency addressed all requirements of the Executive Order.

### Methodology for Identifying and Measuring Improper Payments

The first requirement OMB issued states that the Annual Report must describe the agency's methodology for identifying and measuring improper payments in the agency's high-priority programs.<sup>17</sup> This information should include the IPIA program error measurement methodology, sample size, and related calculations; results of annual measurements; and applicable other measurement-related information.<sup>18</sup>

In its Annual Report, SSA described the stewardship reviews it used to measure the accuracy of payments to beneficiaries in current payment status. Each FY, the Office of Quality Performance (OQP) conducts stewardship reviews of both the RSDI and SSI payments issued in that FY. OQP based the stewardship reviews on a monthly sample selection from RSDI and SSI recipients in current pay status. In FY 2010, OQP reviewed about 1,760 RSDI and 4,304 SSI cases to determine the payment accuracy rates. If OQP detected an error, it determined whether the payment error met the definition of improper (see Appendix D). If a program payment was not considered unavoidable,<sup>19</sup> it was included in the projection of improper payment dollars.

SSA's Annual Report presented the payment accuracy results from the stewardship reviews through tables titled, *Improper Payments Experience FY 2008 – FY 2010*. This information, along with the description of the Agency's methodology for identifying and measuring improper payments for high-priority programs, satisfied OMB's first requirement.

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<sup>16</sup> OMB Circular A-123, supra note 9, Appendix C, Part III.

<sup>17</sup> Id., Sec. C(2)(b) page 16.

<sup>18</sup> Id., Sec. C(2)(c)(1) page 17.

<sup>19</sup> Unavoidable payments are payments that result from legal or policy requirements. These payments are not considered "erroneous" by SSA (see Appendix D of this report).

## **Plan for Meeting the Reduction Targets for Improper Payments**

The second OMB requirement states that the Annual Report must contain the agency's plan and supporting analysis for meeting the reduction targets for improper payments.<sup>20</sup> This requirement includes

1. root causes of errors in the program;
2. corrective actions being implemented and their full implementation dates;
3. the types of errors the corrective actions will address and their expected impact;
4. the anticipated costs of the corrective actions and their likely return on investment; and
5. an explanation of the program's performance in meeting its reduction targets.

The Agency did not provide all of the required information for the SSI corrective actions reported.

### **RSDI**

On April 22, 2010, OMB confirmed that SSA was not required to establish supplemental measures and targets for the RSDI program because the payment accuracy rate was below OMB's threshold of payment errors of less than 2 percent of program outlays. However, SSA still fulfilled other transparency-related reporting by describing root causes of over- and underpayments.

SSA's Annual Report states the root causes of RSDI overpayments were substantial gainful activity, computations, and Government Pension Offset. The root causes of RSDI underpayments were computations, earnings history, and workers' compensation. To mitigate these improper payments, SSA identified various areas to analyze to potentially reduce payment errors, including<sup>21</sup>

1. targeting work continuing disability review (CDR) cases that are over 365 days old and gradually reducing the age threshold;
2. piloting the use of a statistical predictive model to help identify beneficiaries who are at risk of receiving high earnings-related overpayments;
3. simplifying policies and procedures to improve the quality of work CDRs and reduce improper payments; and
4. requesting reauthorization of the demonstration authority to allow testing of important improvements in the DI return to work rules.

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<sup>20</sup> OMB Circular A-123, supra note 9, Appendix C, Part III, Sec. C(2)(c)(2) page 17.

<sup>21</sup> SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, March 2012, page 7 and 8.

## **SSI**

The Annual Report also described the root causes of SSI over- and underpayments. The major causes of SSI overpayments were excess financial accounts, wages, and in-kind support and maintenance (ISM). The main causes of SSI underpayments were living arrangement "A,"<sup>22</sup> wages, and ISM. The Agency developed corrective actions to help mitigate improper payments in the two consistently high error categories: excess financial accounts and wages. These corrective actions included (1) access to financial institutions (AFI) and (2) Supplemental Security Income Automated Telephone Wage Reporting System (SSITWR).

**AFI** is an electronic process that verifies bank account balances with financial institutions to determine SSI eligibility. AFI also detects undisclosed accounts by using a geographic search to generate requests to other financial institutions. As of June 2011, the Agency had successfully completed the AFI rollout to all 50 States. The Agency projects that once the program is fully implemented, it will save \$900 million in lifetime program savings each year. The Agency did not report the full implementation date or anticipated costs for this corrective action, as required by the Executive Order.<sup>23</sup> The Agency stated it is reviewing its strategy regarding full implementation of AFI.

**SSITWR** is a dedicated telephone number that allows individuals to report their wages via a voice-recognition system. Stewardship data indicated that wage-related overpayment dollars resulted from fluctuating income and failure to timely report an increase in wages. To simplify the reporting process, SSA created the SSITWR. In May 2009, SSA required that field offices recruit all recipients and representative payees, as well as household members who influence the recipients' payments, to report their wages using SSITWR. As stated in the March 2012 report, SSA's goal was to increase the number of monthly reporters participating in the SSITWR initiative to 31,486 by the end of FY 2012. As of February 2012, SSA was reporting 31,881 unique wage-reporting participants. SSA planned to conduct targeted outreach to encourage representative payees of working SSI recipients to report wages using SSITWR. The Agency did not report the program's expected impact, as required by the Executive Order.<sup>24</sup>

The Agency also developed supplemental measures and targets for the SSI program, as required by the Executive Order,<sup>25</sup> to address overpayments due to a change that affects payment amount or eligibility and overpayments due to unreported wages. The supplemental measures and targets included (1) SSI non-disability redeterminations

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<sup>22</sup> Living Arrangement "A" is used primarily when a person is considered to be living in his/her own household. This occurs when SSA paid a person as if he/she were living with someone else when, in fact, the recipient qualifies for a higher payment level, such as for those who live alone.

<sup>23</sup> OMB Circular A-123, supra note 9, Appendix C, Part III, Sec. C(2)(c)(2) page 17.

<sup>24</sup> Id.

<sup>25</sup> OMB Circular A-123, supra note 9, Appendix C, Part III, Sec. B (2) page 10.

and (2) SSITWR. For SSI non-disability redeterminations, SSA's supplemental target was to conduct 2.6 million redeterminations in both FYs 2012 and 2013. The targets for the SSITWR program are noted in the SSITWR section on the previous page.

## Plan for Ensuring the Initiatives Do Not Unduly Burden Program Access

OMB's final requirement is that the Annual Report must contain an agency's plan, together with supporting analysis, for ensuring that initiatives undertaken to implement the Executive Order do not unduly burden program access and participation by eligible beneficiaries.<sup>26</sup> OMB will provide further guidance for this requirement; therefore, this requirement was not included in the Agency's Annual Report. Once available, we will review the applicable guidance and ensure future Agency reports contain the required information.

## Quarterly High-Dollar Report to the OIG and CIGIE

Along with the Annual Report to the OIG, the Executive Order also requires that each agency with programs susceptible to significant improper payments under IPIA submit a report to the OIG and CIGIE on any high-dollar overpayments identified by the agency.<sup>27</sup> According to OMB guidance,<sup>28</sup> a high-dollar overpayment is any overpayment that exceeds 50 percent of the correct amount of the intended payment where the

1. total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter; or
2. payment to an entity<sup>29</sup> exceeds \$25,000 as a single payment or in cumulative payments for the quarter.

SSA submitted quarterly high-dollar reports to the OIG and CIGIE for the reporting period starting June 2010 and all subsequent quarters thereafter. The OIG issued a report in December 2011<sup>30</sup> covering the high-dollar reporting periods December 2010 and March, June, and September 2011. We will issue a report on our review of the Agency's high-dollar reports for FY 2012 under a separate cover.

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<sup>26</sup> OMB Circular A-123, supra note 9, Appendix C, Part III, Sec. C (2)(c)(3) page 17.

<sup>27</sup> 74 Fed. Reg., supra note 1 62203, Sec. 3(f).

<sup>28</sup> OMB Circular A-123, supra note 9, Appendix C, Part III, Sec. C (3)(e) page 18.

<sup>29</sup> As stated in OMB Circular A-123, supra note 9, Appendix C, Part III, Sec. C(5)(n) page 22, an entity is a non-individual that owes an outstanding improper payment. The term entity excludes an individual acting in either a personal or commercial capacity (that is, a sole proprietor) or Federal, State, and local government agencies.

<sup>30</sup> SSA OIG, *The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520 in FY 2011* (A-15-11-01140), December 2011.

## **Website Submission**

According to the Executive Order,<sup>31</sup> agencies are required to submit certain information, subject to Federal privacy policies and, to the extent permitted by law, to the improper payments Website.<sup>32</sup> This information should include

1. names of the accountable officials;
2. current and historical rates and amounts of improper payments, including, where known and appropriate, causes of the improper payments;
3. current and historical rates and amounts of recovery of improper payments, where appropriate (or, where improper payments are identified solely on the basis of a sample, recovery rates and amounts estimated on the basis of the sample);
4. targets for reducing as well as recovering improper payments, where appropriate; and
5. entities that have received the greatest amount of outstanding improper payments (or, where improper payments are identified solely based on a sample, the entities that have received the greatest amount of outstanding improper payments in the applicable sample).

Along with providing the above information to OMB's improper payments Website, SSA created a Website that provides additional details on improper payments.<sup>33</sup> Our review of the Website confirmed its information accurately reflected the data in SSA's Annual Report.

## **Risk and Oversight Assessed by the OIG**

To assess the level of risk for the SSI and RSDI programs, we reviewed the Government Accountability Office's (GAO)<sup>34</sup> High-Risk Series reports to Congress. In 1997,<sup>35</sup> GAO identified the SSI program as a new area of high-risk. After enacting legislation<sup>36</sup> to improve overpayment recovery and deterrence tools, the SSI program

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<sup>31</sup> 74 Fed. Reg., supra note 1 at 62201 to 62202, Sec 2(b). See also, OMB Circular A-123, supra note 9, at Appendix C, Part III, Section (C)(6)(s) page 23, which contains the same requirements.

<sup>32</sup> <http://www.paymentaccuracy.gov>.

<sup>33</sup> <http://www.ssa.gov/improperpayments>.

<sup>34</sup> Effective July 7, 2004, GAO's legal name was changed from the General Accounting Office to the Government Accountability Office.

<sup>35</sup> GAO *High-Risk Series, An Overview* (GAO/HR-97-1), February 1997.

<sup>36</sup> *Foster Care Independence Act of 1999*, Pub. L. No. 106-169, Title II, 113 Stat.1822, 1831 (1999).

was removed from the list in 2003.<sup>37</sup> However, as of 2003,<sup>38</sup> GAO had identified all Federal disability programs, including the disability portion of the SSI and DI programs, as high-risk areas. GAO stated that current demographics have affected SSA's ability to manage workloads and provide timely and accurate disability decisions. Therefore, the disability portion of the SSI program remains a high-risk area. In contrast, GAO has not identified the RSI program as a high-risk program. As of February 2011,<sup>39</sup> Federal disability programs remained a high-risk area.

We continue to oversee the SSI and RSDI programs through various audits and evaluations. For the period October 1, 2011 through March 31, 2012, we issued 54 reports on a variety of challenges that faced the Agency and identified over \$1 billion in questioned costs and \$1.4 billion in Federal funds that could be put to better use. We will continue monitoring SSA's programs by conducting and supervising comprehensive financial and performance audits and making recommendations to maximize the effective operations of the Agency's programs most vulnerable to fraud and abuse.

## ACCURACY OF REPORTED INFORMATION

We requested supporting documentation for all figures in the Annual Report. SSA provided supporting documentation for all figures in the Report; however, we noted two errors for monetary figures and one error for non-monetary figures for which the supporting documentation did not accurately reflect the Report's data. The discrepancies, however, were not substantive to the overall report content (see list of discrepancies in Appendix E). We informed SSA of these discrepancies during our review, and the Agency has corrected two of the amounts in the Annual Report posted on its improper payments Website. The Agency stated it is researching the correct reporting of CDR numbers and will make the applicable change to the non-monetary figure upon completion of the research.

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<sup>37</sup> GAO *High-Risk Series, An Update* (GAO-03-119), January 2003, page 7.

<sup>38</sup> Id.

<sup>39</sup> GAO *High-Risk Series, An Update* (GAO-11-278), February 2011.

## *Matters for Consideration*

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During our review, we noted the Agency generally presented all information required for Executive Order 13520 in its Annual Report. The Agency did not report all required information for the corrective actions for the SSI program. We also noted two instances of monetary figures and one non-monetary figure that were inaccurate based on the supporting documentation provided. The Agency should have detected the errors through its quality review process. SSA should ensure that all figures in the report are properly stated based on supporting documentation and all required information is reported.

To ensure the prevention, collection, and detection of improper payments continue improving, SSA should continue efforts to address improper payments. Specifically, SSA should evaluate legislative proposals to determine those that would have a positive effect on the prevention, collection, and detection of improper payments. Additionally, SSA should continue seeking funding to cover the full cost of program integrity workloads, such as CDRs and SSI redeterminations.

Since the two corrective actions, AFI and SSITWR, have been rolled out nationwide, SSA should continue evaluating the SSI and RSDI programs to identify additional improvements in the processes for preventing, collecting, and detecting improper payments. The Agency has not shared any additional initiatives with us. Continuous efforts are needed to ensure improper payments are detected timely.

At the conclusion of our review, SSA provided the following comment to our report.

We will continue to consider legislative proposals to improve program integrity, and to seek funding in our annual budget submission to cover the cost of these workloads. In addition, we are continuously enhancing our statistical predictive models for the Retirement, Survivors, and Disability Insurance and the Supplemental Security Income (SSI) programs. We are also developing pilots for new initiatives to support program integrity as funding permits.

# Appendices

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Executive Order 13520, *Reducing Improper Payments*

[APPENDIX D](#) – Defining Erroneous Payments

[APPENDIX E](#) – Discrepancies in Annual Report

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

## **Appendix A**

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### **Acronyms**

AFI	Access to Financial Institutions
AFR	Agency Financial Report
APP	Annual Performance Plan
CDR	Continuing Disability Review
CIGIE	Council of Inspectors General on Integrity and Efficiency
DI	Disability Insurance
Fed. Reg.	Federal Register
FY	Fiscal Year
GAO	Government Accountability Office
IPIA	<i>Improper Payments Information Act of 2002</i>
ISM	In-kind Support and Maintenance
OASI	Old-Age and Survivors Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQP	Office of Quality Performance
PAR	Performance and Accountability Report
Pub. L. No.	Public Law Number
RSDI	Retirement, Survivors and Disability Insurance
RSI	Retirement and Survivors Insurance
SSA	Social Security Administration
SSI	Supplemental Security Income
SSITWR	Supplemental Security Income Automated Telephone Wage Reporting System
U.S.C.	United States Code

# **Scope and Methodology**

Our objectives were to review the Accountable Official's Annual Report to the Office of the Inspector General (OIG), as required by Executive Order 13520, *Reducing Improper Payments*, and determine whether the (1) figures presented were accurate and (2) Agency complied with all requirements of the Executive Order. To accomplish our objectives, we:

- Reviewed the Accountable Official's Third Annual Report under Executive Order 13520, *Reducing Improper Payments*, March 14, 2012.
- Reviewed applicable Federal laws.
- Reviewed applicable Office of Management and Budget guidance.
- Reviewed the Fiscal Year (FY) 2009 Stewardship Review Reports for the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs.
- Reviewed the FY 2010 Stewardship Review Reports for the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs.
- Reviewed the *Improper Payments Information Act of 2002* section of the FY 2011 Performance and Accountability Report.
- Requested data from the Office of Quality Performance to support the figures presented in the Annual Report.
- Analyzed the source data to ensure the accuracy of all figures.
- Analyzed the narrative of the report to ensure compliance with all requirements of the Executive Order.

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

## **Appendix C**

# **Executive Order 13520, Reducing Improper Payments**

**Federal Register** / Vol. 74, No. 226 / Wednesday, November 25, 2009 / Presidential Documents **62201**

## **Presidential Documents**

### **Executive Order 13520 of November 20, 2009**

#### **Reducing Improper Payments**

By the authority vested in me as President by the Constitution and the laws of the United States of America, and in the interest of reducing payment errors and eliminating waste, fraud, and abuse in Federal programs, it is hereby ordered as follows:

**Section 1. Purpose.** When the Federal Government makes payments to individuals and businesses as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm that the right recipient is receiving the right payment for the right reason at the right time. The purpose of this order is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries. No single step will fully achieve these goals. Therefore, this order adopts a comprehensive set of policies, including transparency and public scrutiny of significant payment errors throughout the Federal Government; a focus on identifying and eliminating the highest improper payments; accountability for reducing improper payments among executive branch agencies and officials; and coordinated Federal, State, and local government action in identifying and eliminating improper payments. Because this order targets error, waste, fraud, and abuse—not legitimate use of Government services—efforts to reduce improper payments under this order must protect access to Federal programs by their intended beneficiaries.

**Sec. 2. Transparency and Public Participation.**

- (a) Within 90 days of the date of this order, the Director of the Office of Management and Budget (OMB) shall:
  - (i) identify Federal programs in which the highest dollar value or majority of Government-wide improper payments occur (high-priority programs);
  - (ii) establish, in coordination with the executive department or agency (agency) responsible for administering the high-priority program annual or semi-annual targets (or where such targets already exist, supplemental targets), as appropriate, for reducing improper payments associated with each high-priority program;
  - (iii) issue Government-wide guidance on the implementation of this order, including procedures for identifying and publicizing the list of entities described in subsection (b)(v) of this section and for administrative appeal of the decision to publish the identity of those entities, prior to publication; and
  - (iv) establish a working group consisting of Federal, State, and local officials to make recommendations to the Director of OMB designed to improve the Federal Government's measurement of access to Federal programs by the programs' intended beneficiaries. The working group's recommendations shall be prepared in consultation with the Council of Inspectors General on Integrity and Efficiency (CIGIE) and submitted within 180 days of the date of this order, and the recommended measurements may be incorporated by the Secretary of the Treasury in the information published pursuant to subsection (b) of this section.
- (b) Within 180 days of the date of this order, the Secretary of the Treasury in coordination with the Attorney General and the Director of OMB, shall

publish on the Internet information about improper payments under high-priority programs. The information shall include, subject to Federal privacy policies and to the extent permitted by law:

- (i) the names of the accountable officials designated under section 3 of this order;
- (ii) current and historical rates and amounts of improper payments, including, where known and appropriate, causes of the improper payments;
- (iii) current and historical rates and amounts of recovery of improper payments, where appropriate (or, where improper payments are identified solely on the basis of a sample, recovery rates and amounts estimated on the basis of the applicable sample);
- (iv) targets for reducing as well as recovering improper payments, where appropriate; and
- (v) the entities that have received the greatest amount of outstanding improper payments (or, where improper payments are identified solely on the basis of a sample, the entities that have received the greatest amount of outstanding improper payments in the applicable sample).

Information on entities that have received the greatest amount of outstanding improper payments shall not include any referrals the agency made or anticipates making to the Department of Justice, or any information provided in connection with such referrals.

(c) Within 180 days of the date of this order, the Secretary of the Treasury in coordination with the Attorney General and the Director of OMB and in consultation with the CIGIE, shall establish a central Internet-based method to collect from the public information concerning suspected incidents of waste, fraud, and abuse by an entity receiving Federal funds that have led or may lead to improper payments by the Federal Government.

(d) Agencies shall place a prominently displayed link to Internet-based resources for addressing improper payments, including the resources established under subsections (b) and (c) of this section, on their Internet home pages.

**Sec. 3. Agency Accountability and Coordination.**

(a) Within 120 days of the date of this order, the head of each agency responsible for operating a high-priority program shall designate an official who holds an existing Senate-confirmed position to be accountable for meeting the targets established under section 2 of this order without unduly burdening program access and participation by eligible beneficiaries. In those agencies where the majority of payments are isolated to a single component, the head of the agency shall name a second accountable official for that component whose sole responsibility would be for program integrity activities and, as appropriate, shall consolidate and coordinate all program integrity activities within the component.

(b) Within 180 days of the date of this order, each agency official designated under subsection (a) of this section, or otherwise designated by the Director of OMB, shall provide the agency's Inspector General a report containing:

- (i) the agency's methodology for identifying and measuring improper payments by the agency's high-priority programs;
- (ii) the agency's plans, together with supporting analysis, for meeting the reduction targets for improper payments in the agency's high-priority programs; and
- (iii) the agency's plan, together with supporting analysis, for ensuring that initiatives undertaken pursuant to this order do not unduly burden program access and participation by eligible beneficiaries.

Following the receipt and review of this information, the agency Inspector General shall assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's methodology.

improper payment reduction plans, or program access and participation plans.

(c) If an agency fails to meet the targets established under section 2 of this order or implement the plan described in subsection (b)(iii) of this section for 2 consecutive years, that agency's accountable official designated under subsection (a) of this section shall submit to the agency head, Inspector General, and Chief Financial Officer a report describing the likely causes of the agency's failure and proposing a remedial plan. The agency head shall review this plan and, in consultation with the Inspector General and Chief Financial Officer, forward the plan with any additional comments and analysis to the Director of OMB.

(d) Within 180 days of the date of this order, the Chief Financial Officers Council (CFOC) in consultation with the CIGIE, the Department of Justice, and program experts, shall make recommendations to the Director of OMB and the Secretary of the Treasury on actions (including actions related to forensic accounting and audits) agencies should take to more effectively tailor their methodologies for identifying and measuring improper payments to those programs, or components of programs, where improper payments are most likely to occur. Recommendations shall address the manner in which the recommended actions would affect program access and participation by eligible beneficiaries.

(e) Within 180 days of the date of this order, the Secretary of the Treasury and the Director of OMB in consultation with the CIGIE, the Department of Justice, and program experts, shall recommend to the President actions designed to reduce improper payments by improving information sharing among agencies and programs, and where applicable, State and local governments and other stakeholders. The recommendations shall address the ways in which information sharing may improve eligibility verification and pre-payment scrutiny, shall identify legal or regulatory impediments to effective information sharing, and shall address the manner in which the recommended actions would affect program access and participation by eligible beneficiaries.

(f) Within 180 days of the date of this order, and at least once every quarter thereafter, the head of each agency shall submit to the agency's Inspector General and the CIGIE, and make available to the public, a report on any high-dollar improper payments identified by the agency, subject to Federal privacy policies and to the extent permitted by law. The report shall describe any actions the agency has taken or plans to take to recover improper payments, as well as any actions the agency intends to take to prevent improper payments from occurring in the future. The report shall not include any referrals the agency made or anticipates making to the Department of Justice, or any information provided in connection with such referrals. Following the review of each report, the agency Inspector General and the CIGIE shall assess the level of risk associated with the applicable program, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's plans.

**Sec. 4. Enhanced Focus on Contractors and Working with State and Local Stakeholders.**

(a) Within 180 days of the date of this order, the Federal Acquisition Regulatory Council, in coordination with the Director of OMB, and in consultation with the National Procurement Fraud Task Force (or its successor group), the CIGIE, and appropriate agency officials, shall recommend to the President actions designed to enhance contractor accountability for improper payments. The recommendations may include, but are not limited to, subjecting contractors to debarment, suspension, financial penalties, and identification through a public Internet website, subject to Federal privacy policies and to the extent permitted by law and where the identification would not interfere with or compromise an ongoing criminal or civil investigation, for knowingly failing timely to disclose credible evidence of significant overpayments received on Government contracts.

(b) Within 30 days of the date of this order, the Director of OMB shall establish a working group consisting of Federal and elected State and local officials to make recommendations to the Director of OMB designed to improve the effectiveness of single audits of State and local governments and non-profit organizations that are expending Federal funds. The Director of OMB may designate an appropriate official to serve as Chair of the working group to convene its meetings and direct its work. The working group's recommendations shall be prepared in consultation with the CIGIE and submitted within 180 days of the date of this order. The recommendations shall address, among other things, the effectiveness of single audits in identifying improper payments and opportunities to streamline or eliminate single audit requirements where their value is minimal.

(c) Within 30 days of the date of this order, the Director of OMB shall establish a working group (which may be separate from the group established under subsection (b) of this section) consisting of Federal and elected State and local officials to make recommendations to the Director of OMB for administrative actions designed to improve the incentives and accountability of State and local governments, as well as other entities receiving Federal funds, for reducing improper payments. The Director of OMB may designate an appropriate official to serve as Chair of the working group to convene its meetings and direct its work. The working group's recommendations shall be prepared in consultation with the CIGIE and submitted within 180 days of the date of this order.

**Sec. 5. Policy Proposals.** The Director of OMB, in consultation with the appropriate agencies and the CIGIE, shall develop policy recommendations, including potential legislative proposals, designed to reduce improper payments, including those caused by error, waste, fraud, and abuse, across Federal programs without compromising program access, to be included, as appropriate, in the Budget of the United States Government for Fiscal Year 2011 and future years, or other Administration proposals.

**Sec. 6. General Provisions.**

(a) Nothing in this order shall be construed to impair or otherwise affect:

- (i) authority granted by law to a department, agency, the head thereof, or any agency Inspector General; or
- (ii) functions of the Director of OMB relating to budgetary, administrative, or legislative proposals.

(b) Nothing in this order shall be construed to require the disclosure of classified information, law enforcement sensitive information, or other information that must be protected in the interests of national security.

(c) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(d) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity, by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.



THE WHITE HOUSE,  
*November 20, 2009.*

[FR Doc. E9-28493  
Filed 11-24-09; 11:15 am]  
Billing code 3195-WO-P

# Defining Erroneous Payments<sup>1</sup>

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

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

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

<sup>1</sup> Table provided by SSA's Office of Financial Policy and Operations in July 2010.

<sup>2</sup> Disability Insurance (DI).

<sup>3</sup> Supplemental Security Income (SSI).

<sup>4</sup> Annual Performance Plan (APP).

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

<sup>5</sup> Old-Age and Survivors Insurance (OASI).

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

## **Appendix E**

### **Discrepancies in Annual Report<sup>1</sup>**

Location in Annual Report	Discrepancy Explanation <sup>2</sup>
Page 11 – Table: Major Supplemental Security Income Error Dollar Overpayments	The Social Security Administration (SSA) reported the amount of overpayments related to Wages and In-Kind Support and Maintenance as \$942 million and \$517 million, respectively. Supporting documentation showed \$709 million and \$290 million, respectively.
Page 18 – Graph: Continuing Disability Reviews	SSA reported the Fiscal Year (FY) 2010 number of Full Medical Continuing Disability Reviews as 324,567. Supporting documentation showed 322,415 reviews conducted in FY 2010.

<sup>1</sup> SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, March 2012.

<sup>2</sup> We informed SSA of these errors during our review, and the Agency has corrected the errors on page 11 in the Annual Report posted on its improper payments Website. The Agency stated it is researching the correct reporting of CDR numbers and will make the applicable change to the graph upon completion of the research.

## ***Appendix F***

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# OIG Contacts and Staff Acknowledgments

### ***OIG Contacts***

Victoria Vetter, Director, Financial Audit Division

Judith Kammer, Audit Manager, Financial Audit Division

### ***Acknowledgments***

In addition to those named above:

Kelly Stankus, Senior Auditor

For additional copies of this report, please visit our Website at <http://oig.ssa.gov> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-15-12-12141.

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## **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.

### **Office of the Counsel to the Inspector General**

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

### **Office of Technology and Resource Management**

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.