

Audit Report

The Social Security Administration's
Compliance with the Improper
Payments Elimination and Recovery
Improvement Act of 2012 in the
Fiscal Year 2019 Agency
Financial Report

MEMORANDUM

Date: May 11, 2020 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2019 Agency Financial Report (A-15-19-50842)

The attached final report presents the results of the Office of Audit's review. The objectives were to determine whether the Social Security Administration met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* and applicable guidance in the Payment Integrity section of the Fiscal Year 2019 Agency Financial Report. In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

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



Gail S. Ennis

Attachment

The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2019 Agency Financial Report (A-15-19-50842)



May 2020

Office of Audit Report Summary

Objectives

To determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) and applicable guidance in the Payment Integrity section of the Fiscal Year (FY) 2019 Agency Financial Report (AFR). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

Background

On January 10, 2013, the President signed IPERIA into law. IPERIA amended the *Improper Payments Information Act of 2002* (IPIA) and *Improper Payments Elimination and Recovery Act of 2010* (IPERA). In June 2018, the Office of Management and Budget (OMB) issued updated Government-wide guidance on the implementation of IPIA, as amended by IPERA and IPERIA. Both the law and OMB guidance require that agencies report specific improper payment information in their AFRs. Further, the law and guidance also require that Inspectors General review the improper payment information agencies report in their AFRs.

Findings

In its FY 2019 AFR, SSA did not comply with all IPIA reporting requirements. Specifically, SSA did not meet reduction targets for Supplemental Security Income overpayments. In addition, we noted instances where the Agency reported OMB-required improper payment information, but the supporting documentation did not agree with statements made in the FY 2019 AFR.

Although it had implemented corrective actions, SSA had not significantly reduced improper payments. SSA should determine whether it is correctly targeting the root causes of improper payments and implement additional initiatives to address those root causes. SSA was also unable to provide data that measured the effectiveness of its implemented corrective actions. SSA stated “we implemented [the Improper Payment Alignment Strategy], which will help focus our corrective actions on the true root causes of improper payments.”

Recommendations

We previously recommended SSA:

- Develop and/or enhance systems to capture data that measure the effectiveness of corrective actions.
- Implement and expand existing corrective actions, where applicable, to address improper payments.
- Develop new initiatives to address improper payments.

SSA has not yet implemented these recommendations. We are not making new recommendations and encourage SSA to continue working on the existing recommendations from our prior report.

SSA provided a response to our report and technical comments, which we incorporated as appropriate.

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ABBREVIATIONS

| | |
|-------------|---|
| AFI | Access to Financial Institutions |
| AFR | Agency Financial Report |
| FY | Fiscal Year |
| IPERA | <i>Improper Payments Elimination and Recovery Act of 2010</i> |
| IPERIA | <i>Improper Payments Elimination and Recovery Improvement Act of 2012</i> |
| IPIA | <i>Improper Payments Information Act of 2002</i> |
| OASDI | Old-Age, Survivors and Disability Insurance |
| OIG | Office of the Inspector General |
| OMB | Office of Management and Budget |
| OQR | Office of Quality Review |
| Pub. L. No. | Public Law Number |
| SGA | Substantial Gainful Activity |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| Stat. | United States Statutes at Large |
| U.S.C. | United States Code |

OBJECTIVES

Our objectives were to determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) and applicable guidance in the Payment Integrity section of the Fiscal Year (FY) 2019 Agency Financial Report (AFR). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing¹ improper payments.

BACKGROUND

On January 10, 2013, the President signed IPERIA into law. IPERIA² amended the *Improper Payments Information Act of 2002* (IPIA)³ and *Improper Payments Elimination and Recovery Act of 2010* (IPERA),⁴ which were created to prevent the loss of taxpayer dollars. Although IPERIA amended the two previous Acts, the authorizing legislation is still IPIA (as such, we refer to IPIA throughout this report). In June 2018, the Office of Management and Budget (OMB) issued updated, Government-wide guidance on implementing IPIA.⁵

Under IPIA, agencies shall identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Director of OMB.⁶ For programs or activities with estimated improper payments, each agency is required to prepare a report on actions it has taken or plans to take to recover improper payments and prevent future improper payments.⁷ In addition, Inspectors General are required to review each agency's improper payment reporting. OMB Circular A-136⁸ outlines the information agencies are required to include in their annual AFRs or Performance and Accountability Reports regarding improper payment estimates, reduction targets, root causes, and corrective actions. Refer to Appendix A for Circular A-136 agency payment integrity reporting requirements; Appendix B for Inspector General reporting responsibilities; and Appendix C for our scope and methodology.

¹ Recapture is any activity taken by an agency to attempt to identify and recover overpayments.

² *Improper Payments Elimination and Recovery Improvement Act of 2012*, 31 U.S.C. § 3321 note (govinfo.gov 2013).

³ *Improper Payments Information Act of 2002*, 31 U.S.C. § 3321 note (govinfo.gov 2002).

⁴ *Improper Payments Elimination and Recovery Act of 2010*, 31 U.S.C. § 3301 note (govinfo.gov 2010).

⁵ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-18-20, (2018). Appendix C implements requirements from (1) IPIA, as amended; (2) IPERA; (3) IPERIA.

⁶ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-18-20, part I, section (B)(2), p. 10 (2018).

⁷ *Improper Payments Elimination and Recovery Improvement Act of 2012*, 31 U.S.C. § 3321 note § 3(b)(2)(B) (govinfo.gov 2013).

⁸ OMB, *Financial Reporting Requirements A-136 Revised* (2019).

To determine the payment accuracy and entitlement/eligibility of benefit payments made during a sample period, SSA's Office of Quality Review (OQR) conducts stewardship reviews. These stewardship reviews examine the non-medical elements in the Old-Age, Survivors and Disability Insurance (OASDI)⁹ and Supplemental Security Income (SSI)¹⁰ programs. Each month, OQR selects a statistically valid sample of beneficiaries who received one or more payments during the review period. For each sample selected, an OQR employee interviews the beneficiary or representative payee; makes collateral contacts, as needed; and re-develops all non-medical factors of entitlement as of the sample month.

SSA uses the results of its stewardship reviews, in part, for the *Payment Integrity* report in its AFR. In accordance with OMB guidelines, SSA reports improper payments that result from (1) its mistake in computing the payment, (2) its failure to obtain or act on available information affecting the payment, (3) a beneficiary's failure to report an event, or (4) a beneficiary's incorrect report. Some stewardship cases have more than one error that cause an incorrect payment. SSA refers to each error as a deficiency. Data reported in the FY 2019 AFR were for cases OQR sampled in FY 2018.¹¹

RESULTS OF REVIEW

In its FY 2019 AFR, SSA did not fully comply with IPIA reporting requirements. Although the Agency met five IPIA criteria, it did not meet its reduction targets for SSI overpayments, as shown in Table 1.

Table 1: SSA IPIA Compliance Reporting

| Program | Type of Improper Payment | Published an AFR | Conducted Risk Assessment | Published Improper Payment Estimate | Published Corrective Action Plan | Published and Met Reduction Targets | Reported Improper Payment Rate of Less than 10 Percent |
|---------|--------------------------|------------------|---------------------------|-------------------------------------|----------------------------------|-------------------------------------|--|
| OASDI | Overpayment | Compliant | Compliant | Compliant | Compliant | Compliant | Compliant |
| | Underpayment | Compliant | Compliant | Compliant | Compliant | Compliant | Compliant |
| SSI | Overpayment | Compliant | Compliant | Compliant | Compliant | Non-compliant | Compliant |
| | Underpayment | Compliant | Compliant | Compliant | Compliant | Compliant | Compliant |

⁹ The OASDI program provides benefits to wage earners and their families who meet certain criteria in the event the wage earner retires, becomes disabled, or dies. See 20 C.F.R. §§ 404.310, 404.315, 404.330, and 404.335 (govinfo.gov 2019).

¹⁰ The SSI program provides payments to financially needy individuals who are aged, blind, or disabled. 20 C.F.R. § 416.110 (govinfo.gov 2019).

¹¹ SSA will not have FY 2019 data until late FY 2020.

SSA accurately reported improper payment information; however, there were three instances where the supporting documentation did not agree with amounts the Agency reported in the FY 2019 AFR. In addition, since 2011, SSA had been relying on the Access to Financial Institutions (AFI) program to conduct bank account searches to identify SSI overpayments due to undisclosed bank accounts. Despite AFI, SSA has neither made significant progress in reducing SSI overpayments caused by the nondisclosure of financial accounts nor implemented several major corrective action plans. For example, in September 2019, SSA awarded a payroll data contract to begin building an information exchange for monthly earnings data. This information exchange will help prevent overpayments caused by undisclosed substantial gainful activity (SGA)¹² and wages. As of the date of this review, SSA was several years away from determining whether corrective actions in these areas will be effective. Finally, SSA did not have tools to determine whether its corrective action plans had a positive return on investment.

Compliance with IPIA

In FY 2019, SSA did not meet its reduction targets for SSI overpayments, as required by IPIA.¹³ Although SSA complied with the remaining five criteria, OMB guidance requires that the Agency meet all requirements to be fully compliant with IPIA.¹⁴ Since SSA did not meet all requirements, we concluded SSA had not fully complied with IPIA. In Appendix D, we summarize the OMB requirement SSA did not meet, our observations, and SSA's response.

Accuracy and Completeness of IPIA Reporting

OMB guidance states an agency's Inspector General should evaluate the accuracy and completeness of agency reporting. SSA provided documentation to support the figures in its FY 2019 AFR. However, we noted three instances where the supporting documentation did not agree with statements in the FY 2019 AFR.

- SSA provided documentation to support the estimated \$23 billion in SSI overpayments and \$4.5 billion in SSI underpayments for FYs 2014 through 2018; however, the support provided did not agree with the statements in the AFR.¹⁵ Supporting documentation showed these amounts as \$20.5 billion and \$3.8 billion, respectively.

¹² SGA is the performance of significant physical and/or mental activities in work for pay or profit or in work of a type generally performed for pay or profit, regardless of the legality of the work. SSA, *POMS*, DI 10501.001 (January 5, 2007).

¹³ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, p. 176 (2019).

¹⁴ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20*, part IV, section (A)(3), p. 50 (2018).

¹⁵ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, p. 175 (2019).

- SSA misstated the OASDI and SSI amounts identified for overpayments recaptured through payment recapture audits. The AFR reported \$11,105.01 million in OASDI and \$13,776.59 million in SSI benefits identified; however, supporting documentation indicated these amounts should have been \$14,319.33 million and \$15,534.82 million, respectively.
- SSA misstated the FY 2019 benefit recapture rates. The AFR stated the rates as 23.7 and 10.5 percent for OASDI and SSI, respectively, while supporting documentation indicated the rates as 18.3 and 9.3 percent, respectively.¹⁶

Despite these errors, SSA produced a complete report that included all OMB-required¹⁷ information. Each year, as the Agency develops this report, it should review and retain all supporting documentation to ensure amounts are accurate.

Performance in Reducing and Recapturing Improper Payments

OMB guidance requires that agencies have corrective action plans for reducing the estimated improper payment rate. SSA identified the major causes of OASDI and SSI improper payments in its IPIA reporting. For each major cause, the Agency developed a corrective action plan. SSA had implemented corrective actions; however, it had not significantly reduced improper payments. We could not determine the effectiveness of SSA's corrective actions because SSA did not have performance metrics for these initiatives.

In our FY 2018 review, we recommended SSA develop and/or enhance systems to capture data that measure the effectiveness of existing corrective actions. SSA provided the following update to this recommendation.

We are implementing multi-year information technology . . . investments that include enhancements to improve our ability to measure the effects of our corrective actions on improper payments. We are developing program and system changes to reduce instances of improper payments. Those enhancements will use management information to evaluate the effectiveness of our corrective actions. In addition, we implemented an Improper Payment Alignment Strategy . . . , which requires us to evaluate the effectiveness of every mitigation initiative. In fiscal year 2020, we will continue to develop evaluation methodologies for all ongoing and planned initiatives on our overpayment [information technology] modernization efforts and products.

¹⁶ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, p. 207 (2019).

¹⁷ OMB, *Financial Reporting Requirements, A-136 Revised* p. 118 (2019). See Appendix A.

In 2011, an independent auditor concluded over half of SSA's performance indicators did not measure the Agency's progress in achieving its strategic goals and objectives.¹⁸ Further, in a 2015 report,¹⁹ we recommended SSA assess the results of future projects and determine whether the projects merit continued expenditures. In addition, in a March 2020 report, the Government Accountability Office recommended SSA develop and implement a process, documented in policies and procedures, to measure the effectiveness of its corrective actions for OASDI and SSI improper payments. This process should clearly demonstrate the effect SSA's corrective actions have on the corresponding root causes of improper payments.²⁰ SSA should continue efforts to develop measures that will allow it to assess the success of improper payment initiatives so it can focus on corrective actions that will meet the OMB-approved reduction targets.

In FY 2018, we also recommended SSA implement and expand existing corrective actions, where applicable, to address improper payments. During our current review, SSA provided information on its progress in implementing this recommendation: "We implemented [Improper Payment Alignment Strategy], which will help focus our corrective actions on the true root causes of improper payments. As part of our [Improper Payment Alignment Strategy], we will evaluate the effectiveness of each planned, or ongoing, mitigation initiative to ensure we focus our efforts on the most impactful areas." Based on our analysis of improper payments caused by financial accounts, wages, SGA, computations, and other real property, the corrective actions were not effective or their effect was unknown.

In addition, in our FY 2018 review, we recommended SSA develop new initiatives to address improper payments. SSA provided the following update to this recommendation.

Our Improper Payment Alignment Strategy will help focus our corrective actions to address the root causes on improper payments. We are also conducting supplemental analysis on the underlying reasons for each root cause of error to assist us to identify new corrective actions. We explore and develop new initiatives based on audit findings, reports, pilot programs, and our stewardship reports. Our Improper Payments Prevention (IPP) team is dedicated to improper payments, and the Improper Payments Oversight Board, which provides oversight. Further, we regularly participate in Federal interagency groups to share best practices to implement and expand corrective action development. We will continue our efforts to mitigate improper payments in all of our programs.

¹⁸ SSA, OIG, *Performance Indicator Audit: The Social Security Administration's Fiscal Year 2010 Performance Indicators*, A-02-10-11076, p. 29 (April 2011).

¹⁹ SSA, OIG, *Oversight of the Benefit Offset National Demonstration Project*, A-04-14-14078, p. 11 (September 2015).

²⁰ Government Accountability Office, *Payment Integrity: Selected Agencies Should Improve Efforts to Evaluate Effectiveness of Corrective Actions to Reduce Improper Payments*, (April 2020).

In prior reports, we recommended data matches to reduce improper payments in such areas as pensions,²¹ workers' compensation,²² unreported real property,²³ and Department of Homeland Security travel data.²⁴ SSA implemented a data match for unreported real property and is working on a data match with the Department of Homeland Security. In FY 2019, SSA released phases of the Foreign Travel Data application that allow field office staff to query the Department of Homeland Security's Arrival and Departure Information System when they complete eligibility reviews for SSI recipients.²⁵ As in our prior report, we maintain SSA needs to develop new initiatives to address improper payments.

SSI Overpayments Caused by Financial Accounts

As reported in prior years, one of the leading causes of overpayments in the SSI program was financial accounts. To address SSI overpayments caused by undisclosed financial accounts, SSA implemented the AFI program in June 2011. AFI is an automated process that verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the claimant's address, during the SSI application and periodic redeterminations of continued eligibility stages. While SSA had enhanced AFI since its initial implementation, it was the only corrective action focused on reducing improper payments related to financial accounts. As shown in Figure 1, SSA's overpayment deficiency dollars related to financial accounts increased from approximately \$1 billion in FY 2009 to approximately \$1.2 billion in FY 2018.

²¹ SSA, OIG, *Old-Age, Survivors and Disability Insurance Benefits Affected by State or Local Government Pensions*, A-13-10-10143, pp. 5 and 6 (November 2011).

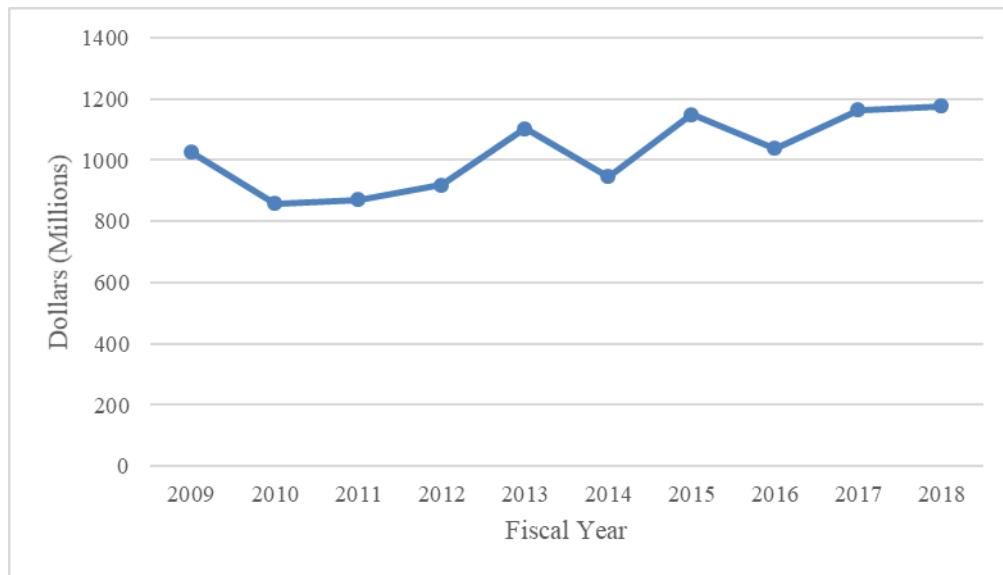
²² SSA, OIG, *Accuracy of the Determination of Workers' Compensation Offset During Disability Insurance Claims Processing*, A-02-14-34090, p. 10 (September 2018).

²³ SSA, OIG, *Supplemental Security Income Recipients with Unreported Real Property*, A-02-09-29025, p. 11 (June 2011).

²⁴ SSA, OIG, *Usefulness of Department of Homeland Security Travel Data to Identify Supplemental Security Income Recipients Who Are Outside the United States*, A-01-11-01142, p. 10 (February 2013).

²⁵ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, p. 202 (2019).

**Figure 1: Financial Account Overpayment Deficiency Dollars²⁶
(FYs 2009 Through 2018)**



Financial accounts continue to be the leading cause of SSI improper overpayments.²⁷ The AFI program was in place for FYs 2013 through 2018; however, deficiency dollars remained approximately \$1 billion. Over this 5-year period, a successful improper payment initiative should have reduced these financial account deficiencies.

SSA last updated the AFI program in January 2016, when it added a search feature to identify financial institutions by routing number.²⁸ Regarding new initiatives to address improper overpayments due to financial accounts, SSA previously stated,

We are exploring automation [to AFI] to reduce the reliance on manual action by employees. Finally, our [OQR] is exploring a probe of historical financial account errors, since the implementation of AFI, to understand whether there are opportunities to use AFI more effectively in our program. We expect to complete that review in late [FY 2019] and publish findings and recommendations by mid [FY 2020].²⁹

²⁶ OQR provided deficiency dollar amounts displayed in Figure 1.

²⁷ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, p. 188 (2019).

²⁸ The routing number serves to identify the specific financial institution which is responsible for payment.

²⁹ SSA, OIG, *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2018 Agency Financial Report*, A-15-18-50678, p. 7 (May 2019).

SSA provided the following update to this initiative.

Currently, there is not the necessary systems functionality to measure the impact of AFI on improper payments, but as part of [Information Technology] Modernization, Systems is working to improve the agency's ability to capture the necessary data to more readily estimate improper payments for various activities we undertake. This enhancement is a long term proposition, however, and it is outside of [Deputy Commissioner, Analytics, Review and Oversight's] control. We do not have specific timeframes as to when the data will be improved enabling us to more readily estimate improper payments from agency data.

In a 2018 report,³⁰ we determined SSA did not complete about 1.1 million redeterminations for SSI recipients³¹ in longer than 10 years. We estimated SSA overpaid about 77,060 SSI recipients approximately \$381.5 million. Per SSA, SSI redeterminations save significant program dollars by avoiding improper payments. We recommended SSA enhance the business process used to select SSI cases for redetermination. In December 2014, we issued a report that stated SSA would not realize AFI's full potential for identifying and preventing improper payments until it uses AFI for all cases. AFI could result in additional savings if SSA used it more often.³² We recommended SSA determine whether systems enhancements were feasible for the program. As in prior years, we maintain that SSA needs to implement or expand existing corrective actions to address improper payments.

The Agency stated conducting AFI searches between SSI redeterminations would not be the most efficient use of limited program integrity resources.³³ According to SSA, in FY 2018, a change in circumstance that occurred after the most recent redetermination or after the Agency approved the initial application and before it initiated a redetermination caused 88 percent of the financial account errors. In FY 2018, financial account errors totaled approximately \$1.2 billion. We estimated SSA could have prevented \$1 billion in overpayments due to undisclosed financial accounts had it performed AFI searches between the initial applications and redeterminations. SSA should determine whether it is correctly targeting the root cause of these improper overpayments and implement initiatives to target those causes.

³⁰ SSA, OIG, *Supplemental Security Income Recipients Who Have Not Had a Redetermination in Longer than 10 Years*, A-01-17-50219, p. 9 (August 2018).

³¹ A redetermination is a review of a recipient's non-medical eligibility factors (that is, income, resources, and living arrangements) to determine whether the recipient is still eligible for, and receiving, the correct SSI payment. SSA, *POMS, SI 02305.001*, A (September 5, 2019).

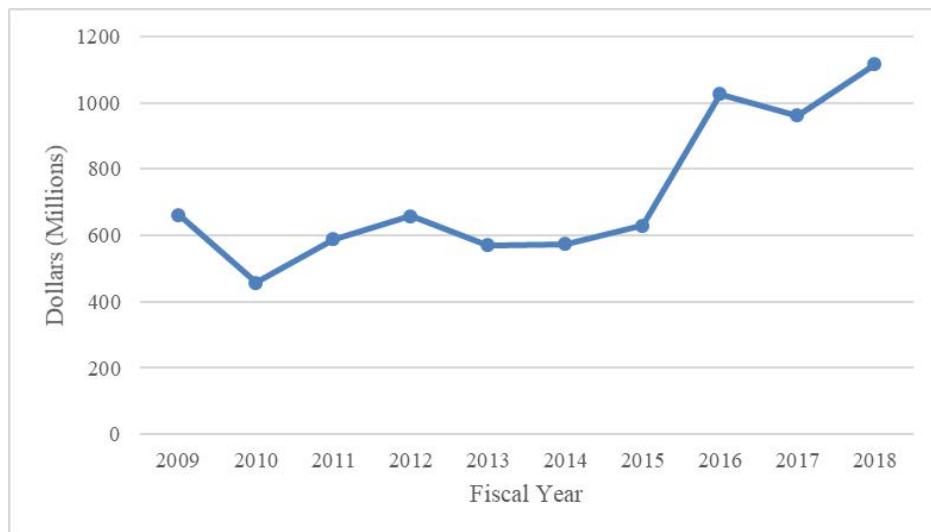
³² SSA, OIG, *The Social Security Administration's Access to Financial Institutions Program*, Limited Distribution, A-01-13-13069 (December 2014).

³³ SSA, *Agency Financial Report Fiscal Year 2018: Payment Integrity*, p. 189 (2018).

Overpayments Caused by Wages and SGA

According to the AFR, for longer than a decade, wage discrepancies had been one of the leading causes of improper payments.³⁴ Wage discrepancies occur when the recipient's actual wages differ from the wage amounts used to calculate the SSI payment. In FY 2008, the Agency implemented the SSI Telephone Wage Reporting System to allow recipients, representative payees, and deemors³⁵ to report prior monthly gross wages via an automated telephone system. SSA implemented SSI Mobile Wage Reporting in August 2013 to allow individuals to report wages through a smartphone application. In June 2018, SSA implemented online wage reporting for SSI recipients. Although the number of wage reports SSI recipients submitted using these systems increased over the years, the error dollars related to wages increased from \$630 million in FY 2015 to over \$1.1 billion in FY 2018, as shown in Figure 2.

**Figure 2: Wages Overpayment Deficiency Dollars³⁶
(FYs 2009 Through 2018)**



³⁴ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, p. 190 (2019).

³⁵ A deemor is generally the ineligible parent or spouse of the individual who is eligible for (or receiving) SSI. SSA, *Definition: Deemor*, ssa.gov (last visited March 12, 2020).

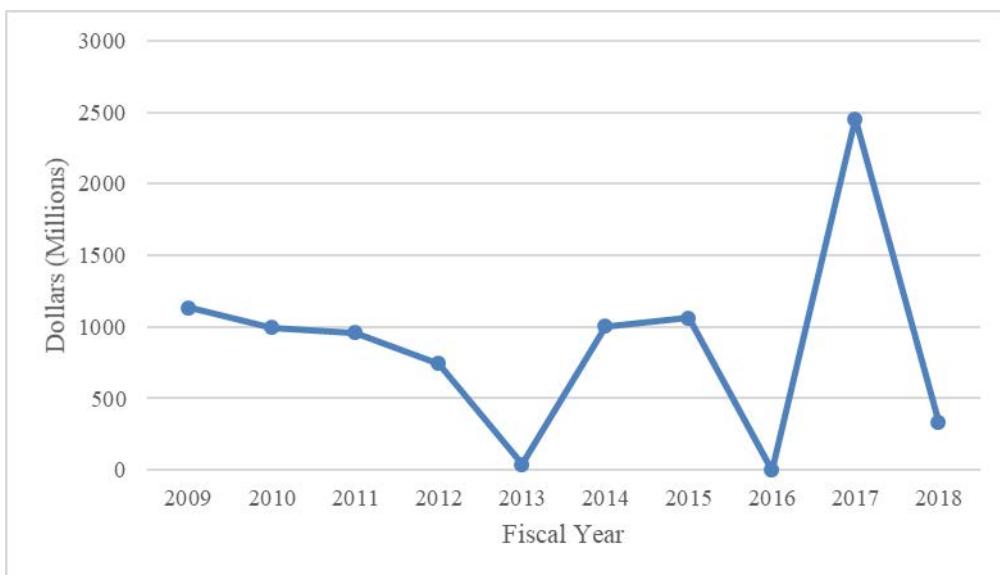
³⁶ OQR provided deficiency dollar amounts displayed in Figure 2.

SSA provided the following as an explanation for the increase in overpayments caused by wages.

A strong national economy has increased the number of available jobs and has historically contributed to increased instances of wage-related improper payments. When the economy improves, more recipients work, which results in unreported or incorrect wage reports. In addition, the Federal Benefit Rate has increased annually from \$721 in 2014 to \$750 in 2018, thereby increasing the amount of improper payments [due to wages]. Internal system enhancements have enabled us to detect and take corrective action on previously undetected improper payments.

Also, overpayments attributed to SGA are a major cause of improper OASDI payments. As shown in Figure 3, SGA overpayment deficiency dollars fluctuated greatly over the past 4 years.

**Figure 3: SGA Overpayment Deficiency Dollars³⁷
(FYs 2009 Through 2018)**



SSA provided the following explanation for the decrease in SGA errors from FYs 2017 to 2018.

The Stewardship sample is sufficient to provide statistically-reliable data on the overall payment accuracy of the universe of [Old-Age and Survivors Insurance] and [Disability Insurance] payments issued in a [FY]. The annual sample is not designed to provide statistically-reliable information about the individual deficiencies in a given year or over a period of one year. As result, we report on the individual error categories over a five-year period to identify trends, both in the [AFR] and in our internal Stewardship report.

³⁷ OQR provided deficiency dollar amounts displayed in Figure 3.

In FY 2019, SSA awarded a contract to build an information exchange for monthly earnings data from third-party payroll data providers. Per SSA, in February 2020, it began the systems development needed to fully implement the Payroll Information Exchange, with planned releases scheduled for September 2020 and the second quarter of FY 2021. SSA is several years away from determining whether the proposed commercial payroll exchange will reduce improper payments because of SGA and wage reporting deficiencies. As improper overpayments due to wages and SGA have not significantly improved, SSA should establish a commercial payroll exchange as well as other corrective actions to reduce these errors.

As published in the AFR, “In September 2018, [SSA] updated [its] eWork system to send a priority alert to field offices for cases that have SGA earnings and require a work [continuing disability review (WCDR)].”³⁸ In FY 2019, SSA stated field offices saw an increase in cases that required a WCDR. SSA provided the following explanation for the software’s effect on field offices alerts.

While we are unable to confirm this software is the only contributing factor to the increase in WCDRs, the new alert allowed us to respond to earnings at the earliest possible point. Prior to implementing the new software, many cases requiring WCDRs came to the attention of our offices on an annual or quarterly basis, which caused delays in making WCDR determinations. Since implementing this new software, we have identified and released 14,695 cases for processing on a rolling basis rather than having our offices wait for annual or quarterly releases.

Since SSA cannot confirm whether the software enhancements contributed to this increase, we maintain SSA should develop measures to determine whether initiatives were effective in reducing improper payments.

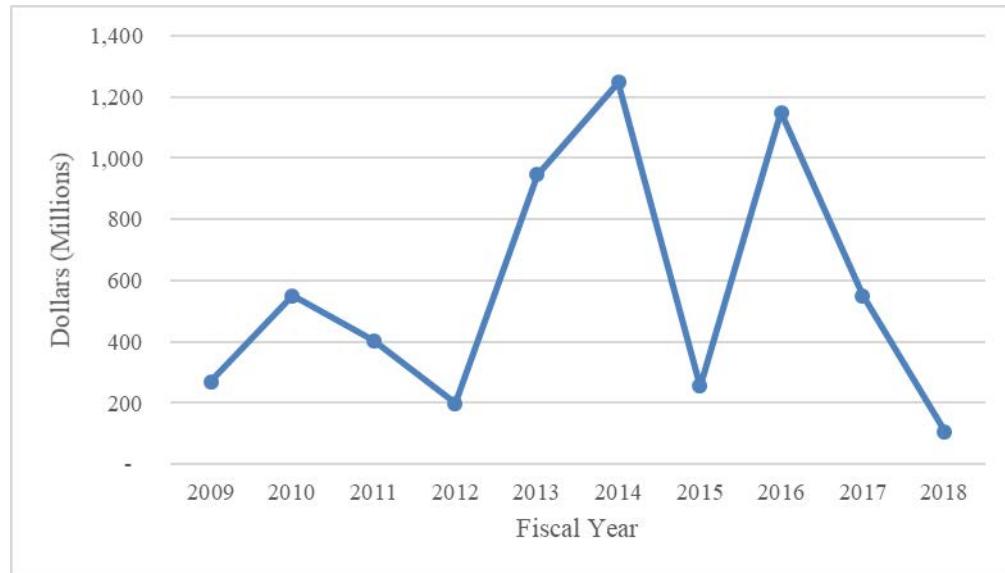
OASDI Overpayments Caused by Computations

In the FY 2019 AFR, SSA reported that one of the leading causes of OASDI overpayments was computations. Inaccurate information or administrative mistakes can cause errors in calculating benefits.³⁹ Overpayment deficiency dollars related to computations had fluctuated greatly over the past 4 years. As shown in Figure 4, in FY 2014, SSA reported \$1.2 billion in overpayments related to computations, which decreased to \$255 million in FY 2015, increased to \$1.2 billion in FY 2016, and decreased to \$107 million in FY 2018.

³⁸ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, p. 182 (2019).

³⁹ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, pp. 183 and 184 (2019).

**Figure 4: Computations Overpayment Deficiency Dollars⁴⁰
(FYs 2009 Through 2018)**



In FYs 2014 through 2018, 60 percent (\$2 billion) of computation errors⁴¹ related to the Windfall Elimination Provision.⁴² In FY 2019, SSA continued updating problematic OASDI system alerts, exceptions, and processing limitation codes with more descriptive definitions. According to SSA, this should improve payment accuracy.

In addition, SSA did not meet targeted completion dates for three corrective actions related to potential entitlements. In the FY 2018 AFR, SSA set a target completion date of FY 2019 for outreach to (1) 20,000 disabled beneficiaries who listed children on their benefits application; (2) 9,000 workers who were previously denied retirement benefits due to lack of insured status, but are now insured; and (3) 17,000 workers with Medicare Qualified Government Earnings that are eligible for retirement benefits or Medicare coverage they are not receiving. In the FY 2019 AFR, SSA updated the target completion date for these efforts to FY 2020. SSA should continue identifying initiatives that reduce OASDI improper payments caused by computation errors and determine whether the existing initiatives were effective in reducing improper payments.

⁴⁰ OQR provided deficiency dollar amounts displayed in Figure 4.

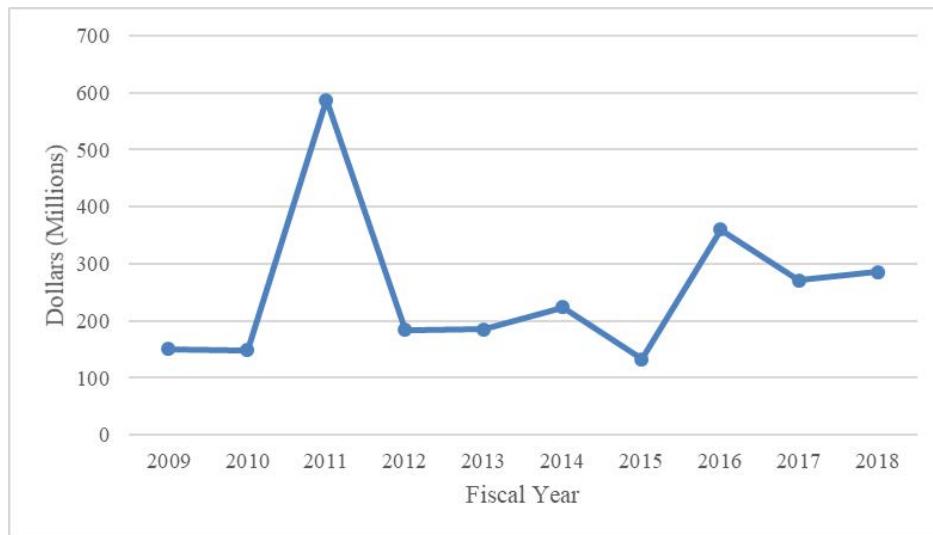
⁴¹ SSA, *Agency Financial Report Fiscal Year 2019: Payment Integrity*, p. 184 (2019).

⁴² The Windfall Elimination Provision can affect how SSA calculates retirement or disability benefits. “If [a beneficiary worked] for an employer who [does not] withhold Social Security taxes from [his/her] salary, such as a government agency or an employer in another country, any retirement or disability pension from that work can reduce [his/her] Social Security benefits.” Refer to SSA, *Windfall Elimination Provision*, Publication No. 05-10045 (2020).

SSI Overpayments Caused by Other Real Property

Another major cause of improper SSI payments was undisclosed non-home real property. SSA relies on applicants or recipients to report whether (1) they own real property other than their principal place of residence and (2) the current equity value exceeds the SSI resources limit. In November 2015, SSA began pursuing nation-wide expansion on non-home real property integrations with the SSI Claims System. By August 2018, SSA had fully integrated third-party, non-home real property data with the SSI claims system for mandatory use during initial claims, initial claim appeal reversals, denied claim re-openings, and high-error redetermination interviews as well as optional use during other open claim events. SSA is assessing the effectiveness of this initiative with a report expected in FY 2020. Although SSA fully implemented the corrective action, overpayment deficiency dollars related to other real property increased from \$133 million in FY 2015 to \$286 million in FY 2018, as shown in Figure 5.

**Figure 5: Other Real Property Overpayment Deficiency Dollars⁴³
(FYs 2009 Through 2018)**



SSA provided the following as an explanation for the increase in overpayments caused by other real property.

SSI recipients and representative payees are required to report ownership of non-home real property. We utilize third-party reports from Lexis Nexis to identify undisclosed real property, and we develop these leads to determine eligibility. Lexis Nexis provides a means for identifying undisclosed property. We continue to rely on SSI recipients and representative payees to report property ownership timely to determine eligibility and prevent errors.

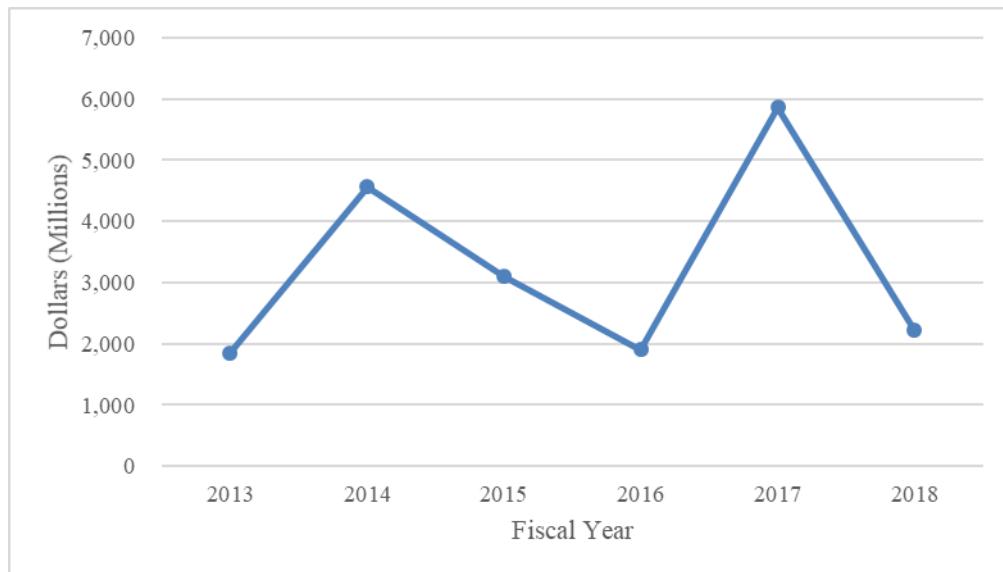
⁴³ OQR provided deficiency dollar amounts displayed in Figure 5.

SSA should continue identifying initiatives that reduce SSI improper payments caused by other real property errors and determine whether the existing initiatives are effectively reducing improper payments.

Office of the Inspector General Risk and Oversight Assessment

To evaluate the Agency's risk assessment and quality of the improper payment estimates and methodology, we relied on the audit work Grant Thornton, LLP conducted as part of its audit of SSA's FY 2018 financial statements. Grant Thornton analyzed the statistical sampling methods and extrapolation procedures SSA employed to generate payment accuracy estimates, as reported in SSA's annual stewardship reviews. Grant Thornton concluded the statistical sampling methods and error extrapolation procedures SSA used to calculate OASDI and SSI improper payment rates were statistically reasonable. OMB approved SSA's stewardship reviews to produce a statistically valid estimate of the improper payments. As shown in Figure 6, overpayments caused by OASDI errors fluctuated from FYs 2013 to 2018. SSA should re-evaluate its use of the stewardship reviews to determine whether they provide the best estimates for reporting improper payments.

**Figure 6: OASDI Overpayments⁴⁴
(FYs 2013 Through 2018)**



We continue reviewing SSI and OASDI programs through various audits. In FY 2019, we issued 65 reports that identified over \$1.4 billion in questioned costs and more than \$2.67 billion in Federal funds that could be put to better use. Several of these reports focused on the SSA management challenge to reduce improper payments. See Appendix E for our FY 2019 reports related to reducing improper payments and increasing overpayment recoveries.

⁴⁴ OQR provided OASDI overpayment amounts displayed in Figure 6.

CONCLUSIONS

In accordance with OMB guidance, SSA (1) published an AFR, (2) conducted a risk assessment for each program, (3) published improper payment estimates and corrective action plans for programs susceptible to significant improper payments, and (4) reported a gross improper payment rate of less than 10 percent for each program. SSA did not meet reduction targets for SSI overpayments. In its FY 2019 AFR, SSA did not comply with all IPIA reporting requirements.

SSA accurately reported improper payment information. However, there were three instances where the supporting documentation did not agree with amounts reported in the FY 2019 AFR. In addition, since 2011, SSA has relied on the AFI program for bank account searches to identify SSI overpayments because recipients did not disclose bank accounts. Despite AFI, SSA has neither made significant progress in reducing SSI overpayments that resulted from undisclosed financial accounts nor implemented several major corrective action plans. For example, while SSA awarded a contract to build an information exchange for monthly earnings data to prevent overpayments caused by recipients not disclosing SGA and wages, it is several years away from determining whether corrective actions in these areas are effective. Finally, SSA did not have tools to measure whether its corrective action plans had a positive return on investment.

RECOMMENDATIONS

We previously recommended SSA:

- Develop and/or enhance systems to capture data that measure the effectiveness of corrective actions.
- Implement and expand existing corrective actions, where applicable, to address improper payments.
- Develop new initiatives to address the root causes of improper payments.

SSA has not yet implemented these recommendations. We are not making new recommendations and encourage SSA to continue working on the existing recommendations from our prior report.

AGENCY COMMENTS

SSA provided a response to our report and technical comments, which we incorporated as appropriate; see Appendix F.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – PAYMENT INTEGRITY REPORTING REQUIREMENTS

Office of Management and Budget (OMB) guidance defines significant improper payments as exceeding \$10 million of all program or activity payments made during the fiscal year reported and 1.5 percent of program outlays or \$100 million.¹ For each program and activity identified as at risk for significant improper payments, the agency is required to use an OMB-approved estimate methodology to produce a statistically valid estimate of the improper payments and include those estimates in the materials that accompany the agency's annual financial statements.²

OMB Circular A-136³ outlines the information agencies are required to include in their annual Agency Financial Report or Performance and Accountability Reports regarding improper payment estimates, reduction targets, root causes, and corrective actions.⁴ Among other things, the report must describe the

- estimated amount of improper payments and root causes of over- and underpayments,⁵
- corrective action plans for reducing the estimated improper payment rate and amount for each type of root cause identified,⁶ and
- statistical sampling process conducted to estimate the improper payment rate for each program.⁷

¹ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20*, part I, section (B)(1), p. 10 (2018).

² OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20*, part II, section (A)(2), p. 23 (2018).

³ OMB, *Financial Reporting Requirements A-136 Revised* (2019).

⁴ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20*, part II, section (A)(2), p. 23 (2018).

⁵ OMB, *Financial Reporting Requirements A-136 Revised*, section II.4.5 I(a-d), pp. 106 and 107 (2019).

⁶ OMB, *Financial Reporting Requirements A-136 Revised*, section II.4.5 I(f), p. 107 (2019).

⁷ OMB, *Financial Reporting Requirements A-136 Revised*, section II.4.5 VII, p. 109 (2019).

In addition, the *Improper Payments Information Act of 2002* requires that the agency discuss payment recapture audit efforts, if applicable,⁸ including

- the methods used to recover overpayments;
- a justification for determining overpayments are not collectable;
- any conditions that give rise to improper payments and how those conditions are being resolved;
- the amounts recovered, outstanding, and determined uncollectable;
- a summary of the disposal of recovered amounts; and
- an aging schedule of the outstanding amounts.⁹

The agency is also required to justify programs or activities it excluded from review, including programs or activities where the agency determined it would not be cost-effective to conduct recovery audits.¹⁰

⁸ *Improper Payments Information Act of 2002*, 31 U.S.C. § 3321 note (govinfo.gov 2002). The law generally requires that agencies conduct recovery audits, unless prohibited by law, for each program and activity that expends \$1 million or more annually if conducting such audits would be cost-effective. See also *Improper Payments Elimination and Recovery Act of 2010*, 31 U.S.C. § 3301 note, § 2(h)(2)(A), pp. 2228 and 2229 (govinfo.gov 2010).

⁹ OMB, *Financial Reporting Requirements A-136 Revised*, section II.4.5 II, pp. 107 and 108 (2019).

¹⁰ OMB, *Financial Reporting Requirements A-136 Revised*, section II.4.5 II(c), p. 107 (2019).

Appendix B – INSPECTOR GENERAL RESPONSIBILITIES

Office of Management and Budget (OMB) guidance specifies that each agency's Inspector General review improper payment reporting in its annual Agency Financial Report (AFR) or Performance and Accountability Report (PAR) and accompanying information to determine whether it complied with the *Improper Payments Information Act of 2002* (IPIA).¹

According to OMB guidance, compliance with IPIA means the agency has

- published an AFR or PAR for the most recent fiscal year (FY) and posted that report and any OMB-required accompanying materials to the agency's Website;
- conducted a program-specific risk assessment for each program or activity that conforms with section 3321 note of Title 31 U.S.C.² (if required);
- published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- published program corrective action plans in the AFR or PAR (if required);
- published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.³

Per OMB guidance, if an agency does not meet one or more of these requirements, it is not compliant with IPIA.⁴ OMB guidance also states the agency's Inspector General should evaluate the accuracy and completeness of agency reporting and performance in reducing and recapturing improper payments. The Inspector General should also evaluate the corrective action plans and determine whether the corrective actions focused on the true root cause and reduced the improper payments. The Inspector General should also determine whether the agency effectively implemented the action plans. Finally, the Inspector General should evaluate the quality of improper payment estimates and methodology as well as the oversight or financial controls used to identify and prevent improper payments.⁵

¹ *Improper Payments Information Act of 2002*, 31 U.S.C. § 3321 note (govinfo.gov 2002).

² *Improper Payments Elimination and Recovery Improvement Act of 2012*, 31 U.S.C. § 3321 note (govinfo.gov 2013).

³ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-18-20, Part IV, section (A)(3) p. 49 (2018).

⁴ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-18-20, Part IV, section (A)(3), p. 50 (2018).

⁵ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-18-20, Part IV, section (A)(4), p. 51 (2018).

Appendix C – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed the *Payment Integrity* report in the Social Security Administration's (SSA) Fiscal Year 2019 Agency Financial Report to ensure compliance with all requirements of the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010* and the *Improper Payments Elimination and Recovery Improvement Act of 2012*.
- Reviewed applicable Federal laws and regulations, Office of Management and Budget guidance, and SSA's *Program Operations Manual System*.
- Requested source data from the Office of Budget, Finance, and Management to support the figures in the Agency Financial Report.
- Analyzed the source data to assess their accuracy and completeness.

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

We conducted our audit from November 2019 through February 2020 in Baltimore, Maryland. The primary entity audited was the Office of Budget, Finance, and Management. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SSA was relieved of reporting on payments made under *The Disaster Relief Appropriations Act of 2013* in Fiscal Year 2019.

Appendix D– OFFICE OF MANAGEMENT AND BUDGET GUIDANCE

| Office of Management and Budget Guidance | Office of the Inspector General Observation | Agency Response |
|--|--|---|
| An agency has published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments. | In the Agency's Fiscal Year 2018 Agency Financial Report, the target rate for Supplemental Security Income overpayments was 6 percent. In the Fiscal Year 2019 Agency Financial Report, the estimated SSI overpayment rate was 8.23 percent, which did not meet guidance requirements. | For Fiscal Year 2018, each tenth of a percentage point in payment accuracy represents about \$56.9 million in Supplemental Security Income program outlays. Given limited resources, we try to balance program integrity work with other agency priorities. |

Appendix E – FISCAL YEAR 2019 OFFICE OF THE INSPECTOR GENERAL REPORTS

The following Office of the Inspector General reports related to the prevention, detection, and recovery of improper payments, minimizing payment errors, and/or improving management of payment workloads.

- *Match of Maine and Rhode Island Death Data Against Social Security Administration Records*, A-01-18-50314 (September 2019)
- *Match of New Mexico Death Information Against Social Security Administration Records*, A-06-18-50759 (September 2019)
- *Old-Age, Survivors and Disability Insurance Beneficiaries with Overpayments on Suspended and Terminated Records*, A-07-18-50317 (September 2019)
- *The Social Security Administration’s Controls for Identifying Potentially Fraudulent Internet Claims* (Limited Distribution), A-09-18-50655 (September 2019)
- *The Social Security Administration’s Processing of Returned Old-Age, Survivors and Disability Insurance Payments*, A-07-18-50570 (September 2019)
- *Supplemental Security Income Underpayments Due Deceased Recipients*, A-06-18-50608 (September 2019)
- *Benefit Payments to Non-citizen Beneficiaries Living Outside the United States Who Have Not Met the 5-year Residency Requirement*, A-07-18-50344 (September 2019)
- *Windfall Elimination Provision Exemptions*, A-13-17-34132 (August 2019)
- *Supplemental Security Income Redeterminations Closed by Field Office Management*, A-06-18-50392 (June 2019)
- *Supplemental Security Income Recipients with Double-counted Old-Age, Survivors and Disability Insurance Benefits*, A-05-18-50532 (May 2019)
- *Processing of Deferred Old-Age, Survivors and Disability Insurance Cases with a High-Risk of Benefit Payment Error*, A-05-18-50620 (March 2019)
- *Beneficiaries Whose Payments Have Been Suspended and Who Have Death Information on the Numident*, A-09-15-15039 (December 2018)
- *Supplemental Security Income Recipients Eligible for Retirement Benefits*, A-09-16-50130 (December 2018)
- *Payments to Individuals Incarcerated in California Department of Corrections and Rehabilitation Facilities*, A-06-18-50574 (October 2018)

Appendix F – AGENCY COMMENTS



SOCIAL SECURITY

Office of the Commissioner

MEMORANDUM

Date: May 4, 2020 Refer To: S1J-3

To: Gail S. Ennis
Inspector General

Stephanie Hall

From: Stephanie Hall
Chief of Staff

Subject: Office of the Inspector General Draft Report, "The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2019 Agency Financial Report" (A-15-19-50842) -- INFORMATION

Thank you for the opportunity to review the draft report. We continue to reduce instances of improper payments by decreasing our reliance on beneficiary reporting, collecting data more effectively, and modernizing our information technology systems to minimize manual processes. In fiscal year (FY) 2019, we established the Improper Payments Prevention Team (IPPT) to address improper payments and formalize our mitigation initiatives and corrective action plans.

The IPPT implemented an Improper Payment Alignment Strategy (IPAS) that focuses on common root causes of overpayments and establishes corrective action plans to improve quality and reduce or prevent improper payments. While corrective actions may take some time to reduce improper payments, we are confident the plans will decrease beneficiary and recipient self-reporting, the leading cause of improper payments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

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