

Audit Report

Underpayments Paid on
Supplemental Security Income
Records with Outstanding
Overpayments

MEMORANDUM

Date: July 23, 2018 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: Underpayments Paid on Supplemental Security Income Records with Outstanding Overpayments (A-07-17-50182)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration appropriately withheld prior-month underpayments due Supplemental Security Income recipients who had outstanding overpayments.

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

Gale Stallworth Stone
Gale Stallworth Stone

Attachment

Underpayments Paid on Supplemental Security Income Records with Outstanding Overpayments

A-07-17-50182



July 2018

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) appropriately withheld prior-month underpayments due Supplemental Security Income (SSI) recipients who had outstanding overpayments.

Background

To recover an outstanding SSI overpayment, SSA can withhold the entire prior-month underpayment due a recipient up to the balance of the overpayment. SSA defines underpayments that are due for months before the month SSA identifies them as prior-month underpayments. However, SSA cannot withhold an underpayment if it has been less than 60 days since it notified the recipient about the overpayment or if there is an outstanding request for waiver or reconsideration of the overpayment.

From one segment of the Supplemental Security Record, we obtained a data extract of SSI recipients who received an underpayment in Calendar Years (CY) 2015 or 2016 and had one or more overpayments with an outstanding balance as of April 1, 2017. From this extract, our analysis identified approximately 5,000 SSI recipients who received prior-month underpayments that SSA could have withheld to recover outstanding overpayments.

Findings

SSA did not always follow its policy of withholding SSI prior-month underpayments from outstanding SSI overpayments. Specifically, SSA did not appropriately withhold more than 6,000 prior-month underpayments to recover outstanding overpayments. This occurred because SSA employees did not take the necessary manual actions in SSA's systems to ensure overpayment recovery. Had SSA followed its policy, we estimate it could have recovered approximately \$44 million in outstanding overpayments from nearly 125,000 prior-month underpayments it paid to SSI recipients during CYs 2015 and 2016.

Recommendations

We recommend SSA:

1. Determine whether, as part of its information technology systems modernization, it could limit the number of manual actions required to ensure it withholds SSI prior-month underpayments from SSI recipients to recover outstanding overpayments.
2. Remind employees to take necessary manual actions to withhold SSI prior-month underpayments from SSI recipients to recover outstanding overpayments.

SSA agreed with our recommendations.

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ABBREVIATIONS

Act	<i>Social Security Act</i>
C.F.R.	Code of Federal Regulations
CY	Calendar Year
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) appropriately withheld prior-month underpayments due Supplemental Security Income (SSI) recipients who had outstanding overpayments.

BACKGROUND

SSA administers the SSI program under Title XVI of the *Social Security Act* (Act). The SSI program provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.¹ An underpayment occurs when a recipient does not receive a payment that is due or receives a payment that is less than the amount due.² An overpayment occurs when a recipient receives a payment that exceeds the amount SSA should have paid for that period.³

To recover an outstanding SSI overpayment, SSA can withhold the entire prior-month underpayment due an overpaid recipient up to the balance of the overpayment.⁴ SSA defines underpayments that are due for months before the month SSA identifies them as prior-month underpayments.⁵ However, SSA cannot withhold an underpayment if it has been fewer than 60 days since it notified the recipient about the overpayment.⁶ In addition, if there is an outstanding request for waiver or reconsideration of the overpayment, SSA may not withhold any part of the underpayment.⁷

¹ *Social Security Act*, 42 U.S.C. § 1381 (2016).

² 20 C.F.R. § 416.536 (2017), SSA, *POMS, SI-Supplemental Security Income*, ch. SI 021, subch. SI 02101.001, sec. A.1 (February 26, 2016).

³ 20 C.F.R. § 416.537(a) (2017), SSA, *POMS, SI-Supplemental Security Income*, ch. SI 022, subch. SI 02201.005, sec. A (July 16, 2015).

⁴ *Social Security Act*, 42 U.S.C. § 1383 (b)(1)(B)(ii) (2016), 20 C.F.R. § 416.543 (2017), and SSA, *POMS, SI-Supplemental Security Income*, ch. SI 022, subch. SI 02220.015, sec. A.4.a (August 24, 2005).

⁵ Underpayments SSA identifies in the same month they occurred are considered current-month underpayments. SSA's policy states the maximum amount it will withhold from a current-month underpayment is the established rate of recovery for outstanding overpayments. SSA, *POMS, SI-Supplemental Security Income*, ch. SI 021, subch. SI 02101.002, sec. A.1.c (January 5, 2015). According to SSA, the current-month underpayment policy exists because such underpayments are due for the current month but paid after the first of the month for various reasons. SSI recipients may need current-month benefits to pay for ordinary and necessary living expenses, such as food, clothing, and shelter.

⁶ SSA, *POMS, SI-Supplemental Security Income*, ch. SI 021, subch. SI 02101.002, sec. A.3 (January 5, 2015).

⁷ SSA, *POMS, GN-General*, ch. GN 022, subch. GN 02210.006, sec. 2.c. (March 20, 2008).

From one segment of the Supplemental Security Record (SSR), we obtained a data extract of SSI recipients who received an underpayment in Calendar Years (CY) 2015 or 2016 and had one or more overpayments with an outstanding balance as of April 1, 2017.⁸ From this extract, we identified a population of approximately 5,000 SSI recipients who received prior-month underpayments that SSA could have withheld to recover outstanding overpayments. These recipients received more than 6,000 SSI prior-month underpayments. Further, they had nearly 11,000 outstanding SSI overpayments.

We reviewed the under- and overpayments for each of the approximately 5,000 SSI recipients in our population in chronological order to determine the amount SSA could have withheld from the underpayment based on the outstanding balance of the overpayments. See Appendix A for our detailed scope and methodology.

RESULTS OF REVIEW

SSA did not always follow its policy of withholding SSI prior-month underpayments from outstanding SSI overpayments. Specifically, we determined that SSA should have withheld all or part of more than 6,000 SSI prior-month underpayments to recover outstanding overpayments. Instead, SSA paid these underpayments to the recipients. The underpayments ranged from \$1 to approximately \$20,000. See Table 1.

Table 1: Number of Prior-month Underpayments by Amount

Amount	Number
Less than \$100	1,656
\$100 to \$499	2,634
\$500 to \$999	1,146
\$1,000 to \$9,999	791
\$10,000 or More	15
Total	6,242

SSA's systems did not withhold these underpayments to recover outstanding overpayments because employees did not take necessary manual actions to ensure overpayment recovery. Furthermore, SSA did not have controls in place to ensure employees took the necessary manual actions. For example, SSA does not require a secondary review to ensure it considered overpayment recovery before the underpayments were paid. Specifically, employees did not take the following manual actions.

⁸ Although additional overpayments may have existed when SSA paid the underpayment to the recipient, we limited our population to those with an outstanding balance as of April 1, 2017—the date we obtained the data extract.

- SSA employees did not manually transfer overpayments to the current SSR.⁹ SSA's systems generally transfer outstanding overpayments from a closed SSR to the current SSR automatically. However, some overpayments require manual transfer to the current SSR.¹⁰ If SSA fails to transfer an overpayment from a closed SSR, the current record does not contain the correct overpayment balance. Therefore, the system cannot automatically withhold the underpayment.
- SSA employees did not manually change the overpayments' recovery status into one of the four collection statuses that result in automatic withholding.¹¹ Thus, when a recipient has agreed to send SSA a check monthly to repay an overpayment or SSA was recovering the overpayment from the recipient's Old-Age, Survivors and Disability Insurance (OASDI) benefits, SSA's systems do not recognize these as collection statuses it can withhold, so they do not automatically withhold the underpayment.

For example, in April 2015, SSA notified a recipient of a \$6,061 overpayment and suspended his SSI payments. In September 2015, SSA determined the recipient was eligible for monthly SSI payments for May through August 2015 and paid the recipient a \$2,668 underpayment. Since the underpayment covered prior calendar months, SSA should have withheld the underpayment to recover the recipient's outstanding overpayment. However, at the time of the underpayment, the collection status indicated SSA was recovering the overpayment from the recipient's OASDI benefits. Thus, SSA's systems could not automatically withhold the underpayment to recover the overpayment. Accordingly, the employee should have changed the collection status to recovery from the recipient's SSI payments, which would have caused SSA's systems to withhold the underpayment.

From the 6,242 prior-month underpayments in our population, SSA could have withheld \$2,183,079 to recover outstanding overpayments. Accordingly, we estimate SSA could have recovered \$43,661,580 in outstanding overpayments from 124,840 prior-month underpayments it paid to SSI recipients during CYs 2015 and 2016 sooner than it would through other collection methods.¹² Therefore, SSA should determine whether, as part of its information technology systems modernization, it could limit the number of manual actions required to ensure it withholds SSI prior-month underpayments from SSI recipients to recover outstanding

⁹ SSI recipients can have multiple SSRs. SSA establishes a new SSR for a variety of reasons. The current SSR is the most recent SSR established for a recipient. All others are considered closed.

¹⁰ We have previously reported SSA's internal controls did not ensure SSA transferred all overpayments from closed records to current records. SSA, OIG, *Follow-up: Controls over Recording Supplemental Security Income Overpayments*, A-01-09-19126, p. 2 (August 2009), and SSA, OIG, *Controls over Recording Supplemental Security Income Overpayments*, A-01-00-10005, p. 5 (May 2001).

¹¹ The four collection statuses that will result in automatic withholding of an underpayment are when recovery is (1) performed through withholding from monthly payments, (2) suspended because the recipient is unwilling to repay, (3) suspended because the recipient is unable to repay, and (4) suspended because SSA cannot locate the recipient.

¹² SSA may have been recovering these overpayments by other methods, such as monthly payment withholding or installment agreement. However, SSA's use of these methods was outside the scope of our review.

overpayments. Until it has completed its information technology systems' modernization, SSA should remind employees to take necessary manual actions to withhold SSI prior-month underpayments from SSI recipients who have outstanding overpayments.

CONCLUSIONS

SSA did not always follow its policy of withholding SSI prior-month underpayments from recipients to recover outstanding overpayments. Specifically, SSA employees did not take the necessary manual actions in SSA's systems to ensure overpayment recovery. Had SSA followed its policy for the approximately 125,000 prior-month underpayments paid to SSI recipients during CYs 2015 and 2016, we estimate it could have recovered an additional \$44 million in outstanding overpayments sooner than it would through other collection methods.

RECOMMENDATIONS

We recommend SSA:

1. Determine whether, as part of its information technology systems modernization, it could limit the number of manual actions required to ensure it withholds SSI prior-month underpayments from SSI recipients to recover outstanding overpayments.
2. Remind employees to take necessary manual actions to withhold SSI prior-month underpayments from SSI recipients to recover outstanding overpayments.

AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix B.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal laws, regulations, and sections of the Program Operations Manual System related to using Supplemental Security Income (SSI) underpayments to recover outstanding overpayments.
- Obtained from one segment of the Supplemental Security Record (SSR) a data extract of SSI recipients who received an underpayment in Calendar Years 2015 or 2016 and had one or more overpayments with an outstanding balance as of April 1, 2017.¹
- Conducted analysis and identified 4,668 SSI recipients who received prior-month underpayments that SSA could have withheld to recover outstanding overpayments. Specifically, each recipient
 - received notification of the overpayment at least 60 days before the underpayment was issued and
 - did not have an outstanding request for waiver or reconsideration of the overpayment when the underpayment was paid.

These recipients had 10,629 SSI overpayments outstanding as of April 1, 2017. Further, these recipients received 6,242 SSI prior-month underpayments during CYs 2015 and 2016.

An underpayment can span multiple months. Therefore, an underpayment can include amounts for both the current and prior months. More than 3,000 underpayments in our population included amounts for both current and prior months. We identified the portion of these underpayments that related to prior months and included them in the analysis. That is, we included the dollar amount for prior months in our analysis of prior-month underpayments.

¹ The SSR is divided into 20 segments. We obtained the data extract on April 1, 2017.

- Conducted a 100 percent review of each recipient's under- and overpayments chronologically to determine how much SSA could have withheld from the underpayment based on the April 1, 2017 balance of the overpayments.² For each underpayment, the maximum amount we determined recoverable was the lesser of either the amount of the underpayment or the outstanding balance of the overpayment(s) as of April 1, 2017. Although the balance of the overpayments may have been higher when SSA paid the underpayment to the recipient, we limited our analysis to the outstanding balance as of April 1, 2017—the date we obtained the data extract.
- Estimated the results of our 100-percent review from information in 1 segment of the SSR to all 20 segments by multiplying the results by 20.

The entity audited was the Office of Operations. We conducted our work at the Office of Audit in Kansas City, Missouri, between November 2017 and March 2018. We determined the data used for this audit were sufficiently reliable to meet our objective. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

² The over- and underpayment amounts include the Federal payment amount and the federally administered State supplementary payment amounts, when applicable. SSA may have been recovering these overpayments by other methods, such as monthly payment withholding or installment agreement. However, SSA's use of these methods was outside the scope of our review.

Appendix B – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: July 16, 2018 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

Stephanie Hall

From: Stephanie Hall
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “Underpayments Paid on Supplemental Security Income Records with Outstanding Overpayments” (A-07-17-50182) -- INFORMATION

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

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

SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “UNDERPAYMENTS PAID ON SUPPLEMENTAL SECURITY INCOME RECORDS WITH OUTSTANDING OVERPAYMENTS” (A-07-17-50182)

We have a strategy in place to improve and enhance our debt recovery efforts through improved automation. Much of our overpayment recovery process is already automated; however, more complex situations require manual recovery actions. Supplemental Security Income (SSI) overpayments generally span longer periods of time and multiple records, requiring employees to determine the appropriate type and timing of actions. We will continue efforts to automate these manual processes as part of our information technology modernization. Below are our responses to the recommendations. We also provided some technical comments at the staff level.

Recommendation 1

Determine whether, as part of its information technology systems modernization, it could limit the number of manual actions required to ensure it withholds SSI prior-month underpayments from SSI recipients to recover outstanding overpayments.

Response

We agree.

Recommendation 2

Remind employees to take necessary manual actions to withhold SSI prior-month underpayments from SSI recipients to recover outstanding overpayments.

Response

We agree.

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