

*Audit Report*

The Social Security Administration's  
Application of Due-process  
Provisions for Old-Age, Survivors  
and Disability Insurance  
Overpayments

**MEMORANDUM**

**Date:** March 29, 2019

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** The Social Security Administration's Application of Due-process Provisions for Old-Age, Survivors and Disability Insurance Overpayments (A-07-18-50622)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration applied due-process provisions according to law before it initiated recovery of Old-Age, Survivors and Disability Insurance 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.



Gail S. Ennis

Attachment

# The Social Security Administration's Application of Due-process Provisions for Old-Age, Survivors and Disability Insurance Overpayments

A-07-18-50622



March 2019

Office of Audit Report Summary

## Objective

To determine whether the Social Security Administration (SSA) applied due-process provisions according to law before it initiated recovery of Old-Age, Survivors and Disability Insurance (OASDI) overpayments.

## Background

According to Federal regulations, SSA must afford an overpaid individual due-process rights before it initiates recovery of an overpayment. SSA policy is to send written notification.

If SSA begins recovery of an overpayment (1) without sending an overpayment notice, (2) without sending an overpayment notice that contains required or accurate content, or (3) within 30 days of the overpayment notice, SSA must reissue any benefits withheld to recover the overpayment. SSA must then update the overpayment balance, send a new notice, and provide a new due-process period to the overpaid individual.

From the Recovery of Overpayments, Accounting, and Reporting data of 1 segment of the Master Beneficiary Record, we identified 61,298 OASDI overpayments greater than \$229 established in Fiscal Years 2016 and 2017 for which SSA may have initiated recovery before applying due-process provisions. From this population, we reviewed a random sample of 200 overpayments.

## Findings

SSA did not appropriately apply due-process provisions for 39 (20 percent) of the 200 overpayments we reviewed. For these 39 overpayments, SSA sent incomplete or inaccurate notices or did not send notices. This was due to both employee and system errors.

SSA incorrectly recovered \$56,201 and may incorrectly recover up to \$109,491 in future months unless it ceases recovery efforts and provides a new due-process period. Based on our sample results, we project SSA incorrectly recovered approximately \$345 million for about 190,000 overpayments. Further, we project SSA may incorrectly recover up to approximately \$671 million in future months unless it ceases recovery efforts on about 110,000 overpayments.

When due-process provisions are misapplied, overpaid individuals are burdened, and SSA incurs administrative costs for the additional work on those overpayments. For 14 (36 percent) of the 39 overpayments for which SSA did not appropriately apply due-process provisions, beneficiaries or their representatives contacted SSA via telephone or in person to discuss their overpayments. We estimate SSA incurred approximately \$20 million in administrative costs for subsequent actions to resolve about 86,000 overpayments.

## Recommendations

We made four recommendations for SSA to take appropriate actions to address its misapplication of due-process provisions for OASDI overpayments.

SSA agreed with our recommendations.

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## **ABBREVIATIONS**

C.F.R.	Code of Federal Regulations
DMS	Debt Management System
FY	Fiscal Year
MACADE	Manual Adjustment Credit and Award Data Entry
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) applied due-process provisions according to law before it initiated recovery of Old-Age, Survivors and Disability Insurance (OASDI) overpayments.

## BACKGROUND

The OASDI program provides monthly benefits to retired and disabled workers as well as their dependents and survivors.<sup>1</sup> OASDI overpayments occur when SSA pays individuals more than they are due for a given period. Specifically, overpayments may occur when SSA does not properly calculate or adjust benefit amounts or stop payments timely.<sup>2</sup>

According to Federal regulations, SSA must give an overpaid individual due-process rights before it initiates recovery of an overpayment.<sup>3</sup> SSA policy is to send written notification to the overpaid individual.<sup>4</sup> The notice should include the following information.

- The overpayment total as well as how and when the overpayment occurred.
- The overpaid individual's right to request reconsideration if he/she questions the fact or amount of the overpayment.
- The overpaid individual's right to request waiver.
- A request for a full, immediate refund, unless SSA can recover the overpayment from the next month's benefit.
- A proposal for adjustment from ongoing benefits, when applicable, if SSA does not receive a refund within 30 days.
- Options for SSA to recover the overpayment through (1) installment payments if ongoing benefits cannot be adjusted, (2) a different rate of withholding from ongoing benefits, or (3) cross-program recovery when the overpaid individual is receiving another SSA payment.
- The overpaid individual's need to contact SSA promptly to request reconsideration, waiver, or different recovery rates or methods.<sup>5</sup>

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<sup>1</sup> *Social Security Act*, 42 U.S.C. §§ 402 and 423 (govinfo.gov 2016).

<sup>2</sup> SSA, *POMS*, GN 02201.001, A (October 31, 2017).

<sup>3</sup> 20 C.F.R. § 404.502a (govinfo.gov 2018).

<sup>4</sup> SSA, *POMS*, GN 02201.009, A (July 25, 2018).

<sup>5</sup> See Footnote 3.

SSA's automated systems establish most overpayments and produce notices with the appropriate due-process language.<sup>6</sup> However, in some circumstances, SSA employees must manually establish the overpayments and/or compose notices. Specifically, employees can manually establish overpayments using Manual Adjustment Credit and Award Data Entry (MACADE) or the Debt Management System (DMS). When employees establish overpayments through MACADE, they should input codes to generate notices. However, when employees establish overpayments through DMS, the system cannot generate due-process notices. Therefore, employees compose notices that contain the required due-process elements in a separate notice processing system known as AURORA. Employees also use AURORA when SSA's automated systems or MACADE cannot generate notices or process complete notices.<sup>7</sup>

The overpaid individual has 30 days from the date of the overpayment notice to refund the overpayment or contact SSA to request waiver or reconsideration of the overpayment before SSA begins recovery.<sup>8</sup> SSA should generally not begin recovering an overpayment until the 30-day period has expired.<sup>9</sup> SSA's systems automate many recovery actions, such as overpayment refunds and underpayment or benefit withholding. However, because of processing limitations SSA's systems cannot always correctly initiate overpayment recovery. In such instances, an employee manually processes the recovery action.

If SSA begins recovering an overpayment (1) without sending an overpayment notice, (2) without sending an overpayment notice that contains required or accurate content, or (3) within 30 days of the overpayment notice, SSA must reissue any benefits withheld to recover the overpayment.<sup>10</sup> SSA must then update the overpayment balance, send a new notice, and provide the overpaid individual a new due-process period.<sup>11</sup>

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<sup>6</sup> SSA, *POMS*, NL 00730.001, C (May 22, 2009); NL 00720.001, B (May 20, 2011); NL 00601.045, A (April 20, 2011).

<sup>7</sup> SSA, *POMS*, NL 00702.001, B (June 10, 2010). MACADE cannot generate notices or process complete notices when employees do not input adequate coding into the system or there is a program problem. SSA, *POMS*, NL 00719.040 (May 20, 2011). Further, according to SSA, its automated systems cannot generate notices or process complete notices when they encounter processing issues or limitations.

<sup>8</sup> 20 C.F.R. § 404.502a (c) and (h) (govinfo.gov 2018).

<sup>9</sup> SSA, *POMS*, GN 02201.009, F (July 25, 2018). In some situations, SSA may use an underpayment to recover an overpayment before the 30-day period expires. SSA, *POMS*, GN 02210.006, C (October 12, 2018).

<sup>10</sup> SSA, *POMS*, GN 02201.009, F and I (July 25, 2018).

<sup>11</sup> SSA, *POMS*, GN 02201.009, I (July 25, 2018).

From the Recovery of Overpayments, Accounting, and Reporting data of 1 segment of the Master Beneficiary Record,<sup>12</sup> we identified 61,298 OASDI overpayments greater than \$229<sup>13</sup> established in Fiscal Years (FY) 2016 and 2017 for which SSA may have initiated recovery before it applied due-process provisions. From this population, we reviewed a random sample of 200 overpayments to determine whether SSA sent an overpayment notice that included appropriate due-process language and delayed recovery of the overpayment for 30 days after the date of the overpayment notice.<sup>14</sup>

## RESULTS OF REVIEW

SSA did not appropriately apply due-process provisions for 39 (20 percent) of the 200 overpayments we reviewed. For these 39 overpayments, SSA sent incomplete or inaccurate notices or did not send notices. This was due to both employee and system errors. As a result, SSA incorrectly recovered \$56,201<sup>15</sup> and may incorrectly recover up to \$109,491 in future months unless it ceases recovery efforts and provides a new due-process period.

Based on our sample results, we project SSA incorrectly recovered approximately \$345 million for about 190,000 overpayments.<sup>16</sup> Further, we project SSA may incorrectly recover up to approximately \$671 million in future months unless it ceases recovery efforts and provides a new due-process period for about 110,000 overpayments.<sup>17</sup>

When due-process provisions are misapplied, overpaid individuals are burdened, and SSA incurs administrative costs for the additional work on those overpayments. For 14 (36 percent) of the 39 overpayments for which SSA did not appropriately apply due-process provisions, beneficiaries or their representatives contacted SSA via telephone or in person to discuss their overpayments. We estimate SSA incurred approximately \$20 million in administrative costs for subsequent actions to resolve about 86,000 overpayments.<sup>18</sup>

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<sup>12</sup> The Master Beneficiary Record is divided into 20 representative segments.

<sup>13</sup> We limited our review to overpayments greater than \$229 because that was the average cost for SSA to collect OASDI overpayments for FY 2017. We calculated the average of the Retirement and Survivors Insurance and Disability Insurance overpayment collection costs of \$203 and \$254, respectively.

<sup>14</sup> See Appendix A for the scope and methodology of our review.

<sup>15</sup> We calculated overpayment recoveries as of May 2018.

<sup>16</sup> See Appendix B for our sampling and methodology results.

<sup>17</sup> Some of the 110,000 overpayments were included in the 190,000 for which we project SSA had incorrectly collected a portion.

<sup>18</sup> SSA did not capture costs to address follow-up actions on overpayments. Thus, we used the FY 2017 average administrative cost of approximately \$229 to resolve an OASDI overpayment to estimate costs to address follow-up actions. See Footnote 13.

## Inadequate or Missing Notices

For 39 overpayments, SSA sent incomplete or inaccurate notices or did not send notices. This was due to both employee and system errors, including

- employees not inputting adequate coding into MACADE to generate appropriate notices,
- employees not manually composing complete and accurate notices via AURORA, and
- an automated system not generating complete notices.

### *MACADE Notice Inputs*

Employees manually established 20 of the 39 overpayments through MACADE. However, they did not input adequate coding into the system to generate appropriate notices. For 19 overpayments, SSA sent the beneficiaries notices that either (1) did not contain the due-process elements required by law<sup>19</sup> or (2) contained inaccurate information. For the remaining overpayment, SSA did not send the beneficiary a notice. Overall, SSA incorrectly recovered \$32,644 and may incorrectly recover up to \$67,217 in future months unless it ceases recovery efforts and provides a new due-process period.

For example, in May 2016, an employee manually established an overpayment of almost \$4,700 through MACADE. The employee omitted the coding required to generate a complete notice. Consequently, the overpayment notice did not explain how and when the overpayment occurred or the beneficiary's right to request waiver of the overpayment, as required by law.<sup>20</sup> However, SSA recovered the full overpayment balance.

According to SSA, MACADE did not have the functionality to produce fully automated overpayment notices. Therefore, all notices required that employees input specific codes, symbols, and punctuation to generate appropriate due-process language. Incorrect coding prevented the system from generating complete and accurate notices.<sup>21</sup> Further, according to SSA, notice policies and procedures were difficult to follow and contributed to such errors.<sup>22</sup> SSA should simplify MACADE notice inputs and clarify related policies and procedures.

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<sup>19</sup> 20 C.F.R. § 404.502a (govinfo.gov 2018).

<sup>20</sup> 20 C.F.R. § 404.502a (a) and (e) (govinfo.gov 2018).

<sup>21</sup> SSA, *POMS*, NL 00719.015, B (May 20, 2011).

<sup>22</sup> SSA, Office of Budget, Finance, Quality, and Management, *Fiscal Year 2015 Notice Quality Review Report*, p. i (November 2015).

## ***Manual Notice Processing***

For 13 of the 39 overpayments, employees were required to manually compose notices via AURORA. However, for 8 of the 13 overpayments, employees did not compose notices. For the remaining five overpayments, employees composed notices that either (1) did not contain the due-process elements required by law<sup>23</sup> or (2) contained inaccurate information. As a result, SSA incorrectly recovered \$13,641 and may incorrectly recover up to \$26,506 in future months unless it ceases recovery efforts and provides a new due-process period.

For example, in July 2016, SSA established an overpayment of about \$4,500 on a beneficiary's record. The automated system that established the overpayment could not process the notice completely because of a system limitation. However, the system did not alert an employee to manually compose the notice via AURORA. Therefore, SSA did not notify the beneficiary of the overpayment. SSA recovered the full overpayment balance through benefit withholding.

According to SSA, its automated systems should alert employees when manual actions are required on notices.<sup>24</sup> However, we found SSA's systems did not always alert employees when they had to manually compose notices, and the alerts were not always effective. Specifically, for the eight overpayments where SSA did not send the beneficiaries a notice,

- SSA's automated systems did not produce an alert that manual action was required for four;
- employees established three through DMS, which did not alert employees that manual notice action was required; and
- an automated system produced an alert for one that notified an employee of the required action, yet the employee did not create a notice.

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<sup>23</sup> 20 C.F.R. § 404.502a (govinfo.gov 2018).

<sup>24</sup> The systems send the alerts to electronic folders that SSA assigns to employees for processing.

Further, SSA did not have a targeted review process to ensure employees composed notices via AURORA when necessary or AURORA notices were complete and accurate. According to SSA, it implemented a quality review process in March 2018 that requires that lead employees conduct at least two quality reviews each month for most staff. While the quality reviews could include overpayment notices, there is no requirement or target related to quality review of manually composed notices. Rather, management determines which workloads the reviewers will evaluate. SSA should improve its alert and quality review processes for overpayments requiring manual notices to ensure notices are complete, accurate, and sent timely.

### *Automated Notices*

For 6 of the 39 overpayments, an automated system established overpayments and produced notices that did not inform the beneficiaries of their right to request other recovery options, as required by law.<sup>25</sup> Other recovery options include installment payments if ongoing benefits cannot be adjusted, a different rate of withholding from ongoing benefits, or cross-program recovery when the overpaid individual is receiving another SSA payment.<sup>26</sup> Consequently, SSA incorrectly recovered \$9,916 and may incorrectly recover up to \$15,768 in future months unless it ceases recovery efforts and provides a new due-process period.

For example, in April 2017, SSA's system established a \$5,427 overpayment for a beneficiary. The overpayment notice explained that SSA would withhold the beneficiary's \$1,818 monthly benefit until it recovered the overpayment. However, the notice did not disclose that a lower rate of withholding was available, as required by law. As of May 2018, SSA had incorrectly collected \$4,086.

According to SSA, its system omitted the required language from the overpayment notices because SSA did not program the system based on accurate policy requirements or the programming was incomplete. SSA should revise systems programming to ensure automated overpayment notices contain all required due-process language.

### **Incorrect Recoveries Caused by Due-process Errors**

Of the 39 overpayments for which SSA did not appropriately apply due-process provisions, SSA incorrectly initiated recovery for 37 (see Table 1).<sup>27</sup> Consequently, SSA incorrectly recovered \$56,201 for 31 overpayments. Further, SSA may incorrectly recover up to \$109,491 for 18 of the 37 overpayments in future months unless it ceases recovery efforts and provides a new due-process period.

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<sup>25</sup> 20 C.F.R. § 404.502a (d) (govinfo.gov 2018).

<sup>26</sup> See Footnote 25.

<sup>27</sup> SSA waived the remaining two overpayments. Accordingly, SSA did not withhold any benefits, and SSA cannot recover any portion of those overpayments.

**Table 1: Incorrect Overpayment Recoveries**

Incorrect Recovery Category	Number of Overpayments	Amount Incorrectly Recovered	Potential Future Incorrect Recoveries
Incorrect Recoveries Only	19	\$26,696	\$0
Potential Future Incorrect Recoveries Only <sup>28</sup>	6	\$0	\$30,740
Both	12	\$29,505	\$78,751
<b>Total</b>	<b>37</b>	<b>\$56,201</b>	<b>\$109,491</b>

We project SSA incorrectly recovered approximately \$345 million on about 190,000 overpayments. Further, we project SSA may incorrectly collect up to approximately \$671 million in future months unless it ceases recovery efforts and provides a new due-process period for about 110,000 overpayments.<sup>29</sup> SSA should correct the 37 overpayments we identified for which SSA incorrectly initiated recovery.

## Burden on Beneficiaries and SSA Administrative Costs

For 14 of the 39 overpayments for which SSA did not appropriately apply due-process provisions, beneficiaries or their representatives contacted SSA via telephone or in person to discuss their overpayments.<sup>30</sup> Accordingly, we project about 86,000 overpayments required additional work. This work resulted in additional administrative costs to SSA. In addition, such beneficiary contact demonstrates the burden SSA's misapplication of due-process provisions places on the overpaid individuals.

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<sup>28</sup> SSA was recovering prior overpayments on four of the six beneficiaries' records. However, SSA will begin recovering the sampled overpayments via benefit withholding after the prior overpayments are collected. The remaining two beneficiaries were not receiving benefits; thus, recovery via benefit withholding was not available. However, SSA attempted to recover the overpayments by billing the beneficiaries and may pursue additional recovery methods in the future.

<sup>29</sup> Some of the 110,000 overpayments are included in the 190,000 for which we project SSA had incorrectly collected a portion.

<sup>30</sup> We did not locate evidence that beneficiaries contacted SSA concerning the remaining 25 overpayments. However, the absence of documentation does not indicate beneficiaries or their representatives did not contact SSA concerning their overpayments.

For example, the representative payee for one beneficiary received an overpayment notice dated October 3, 2017 that did not explain why the \$900 overpayment occurred. SSA withheld the beneficiary's January 2018 payment. The representative payee visited the field office twice in January 2018 to obtain an explanation for the overpayment. When a field office employee could not determine why the overpayment was made, the employee issued the beneficiary a critical payment to replace the payment SSA withheld. Further, the employee requested that another employee review the overpayment and provide the representative payee an explanation. As of October 2018, SSA had not provided an explanation; however, the Agency had withheld \$269 in benefits to recover the overpayment.

According to a 2016 Mathematica Center for Studying Disability Policy report, “. . . the sudden and unexpected loss of benefits to repay an overpayment caused hardship and frustration for some [beneficiaries].”<sup>31</sup> Also, SSA emphasized the importance of giving overpaid beneficiaries due process because of the sensitivity of overpayment situations and potential legal actions.<sup>32</sup>

While SSA did not capture costs to address follow-up actions on overpayments, it did identify the average cost to process an OASDI overpayment. For example, in FY 2017, SSA incurred administrative costs of approximately \$229 on average to resolve OASDI overpayments.<sup>33</sup> Using this, we estimate SSA incurred approximately \$20 million in administrative costs for subsequent actions related to the 86,000 overpayments that required additional work.

## CONCLUSIONS

SSA did not appropriately apply due-process provisions before it initiated recovery for one of every five overpayments we reviewed. We project SSA incorrectly recovered approximately \$345 million for about 190,000 overpayments. Further, we project SSA may incorrectly collect up to approximately \$671 million in future months unless it ceases recovery efforts and provides a new due-process period for about 110,000 overpayments. To avoid causing beneficiaries unexpected hardships and reduce the administrative burden on its employees, SSA must improve its manual and automated overpayment processes to ensure all beneficiaries' rights to due process are secure.

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<sup>31</sup> Mathematica Center for Studying Disability Policy, *Employment Experiences for Young Adults and High Earners Who Receive Social Security Disability Benefits: Findings from Semistructured Interviews*, p. 43 (March 17, 2016).

<sup>32</sup> SSA, *POMS*, NL 00601.140 (December 14, 1993).

<sup>33</sup> We calculated the average of the Retirement and Survivors Insurance and Disability Insurance overpayment collection costs of \$203 and \$254, respectively.

## **RECOMMENDATIONS**

We recommend SSA:

1. Simplify MACADE notice inputs and clarify related policies and procedures.
2. Improve its alert and quality review processes for overpayments requiring manual notices to ensure notices are complete, accurate, and sent timely.
3. Revise systems programming to ensure automated overpayment notices contain all required due-process language.
4. Correct the 37 overpayments we identified for which SSA incorrectly initiated recovery.

## **AGENCY COMMENTS**

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



Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act*; Code of Federal Regulations; and Social Security Administration’s (SSA) Program Operations Manual System, technical guidance, and reports.
- Reviewed prior Office of the Inspector General reports.
- Obtained a data extract of 61,298 overpayments from the Recovery of Overpayments, Accounting, and Reporting data of 1 segment of the Master Beneficiary Record.<sup>1</sup> The overpayments had
  - been established between October 1, 2015 and September 30, 2017,
  - amounts greater than \$229,<sup>2</sup> and
  - recovery initiated<sup>3</sup> within 60 days of establishment.<sup>4</sup>
- Reviewed a random sample of 200 overpayments to determine whether SSA sent an overpayment notice that included appropriate due-process language and delayed recovery of the overpayment for 30 days after the overpayment notice date. To do so, we reviewed notices, remarks, and recovery actions from the following SSA systems.
  - Recovery of Overpayments, Accounting, and Reporting
  - Master Beneficiary Record
  - Debt Management
  - Online Retrieval
  - Claims File User Interface
  - Paperless Read Only Query

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<sup>1</sup> The Master Beneficiary Record is divided into 20 representative segments.

<sup>2</sup> We limited our review to overpayments greater than \$229 because that was the average cost for SSA to collect OASDI overpayments for Fiscal Year 2017. We calculated the average of the Retirement and Survivors Insurance and Disability Insurance collection costs of \$203 and \$254, respectively.

<sup>3</sup> Although SSA initiated recovery, it had not necessarily recovered any part of the overpayment.

<sup>4</sup> We used 60 days instead of the 30-day due-process period because SSA generally establishes a 60-day due-process period on its records to allow employees time to send notices and update its systems with any refunds or protests before beginning collection activities. 20 C.F.R. § 404.502a (c) and (h) (govinfo.gov 2018); SSA, *POMS*, GN 02201.009, I (July 25, 2018). Further, according to SSA, due-process notice dates may differ from overpayment establishment dates due to systems issues.

- For overpayments where SSA did not appropriately apply due-process provisions,<sup>5</sup> calculated the
  - amount of overpayments SSA recovered, as of May 2018, without providing appropriate due process;
  - amount of overpayments SSA may recover in the future if it does not provide appropriate due process; and
  - potential administrative costs of additional SSA work on overpayments for which SSA did not provide appropriate due process before it initiated recovery.

We conducted our review between August and November 2018 in Kansas City, Missouri. The principal entities audited were the Offices of Operations and Systems. 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 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.

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<sup>5</sup> Certain types of overpayments, such as those involving fraud, conserved funds, or prior advance notice, are not subject to due-process provisions. Therefore, we did not consider such cases to be errors.

## **Appendix B – SAMPLING METHODOLOGY AND RESULTS**

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### **Sampling**

From our population of 61,298 overpayments,<sup>1</sup> we selected a random sample of 200 overpayments for review.

**Table B–1: Population and Sample Size**

Description	Number of Overpayments
Population Size (1 segment)	61,298
Sample Size	200
Estimated Total Population (Population Size x 20 segments) <sup>2</sup>	1,225,960

### **Sample Errors and Projections**

The Social Security Administration (SSA) did not appropriately apply due-process provisions for 39 (20 percent) of the 200 overpayments we reviewed. Of the 39 overpayments, SSA incorrectly initiated recovery for 37.

#### ***Incorrect Recoveries***

Of the 37 overpayments for which SSA incorrectly initiated recovery, the Agency incorrectly recovered \$56,201 for 31 overpayments. Accordingly, we project SSA incorrectly recovered approximately \$345 million on about 190,000 overpayments (see Table B–2 and Table B–3).

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<sup>1</sup> See Appendix A for the scope and methodology of our review.

<sup>2</sup> The Master Beneficiary Record is divided into 20 representative segments based on the last 2 digits of the beneficiaries' Social Security number. One segment of the Master Beneficiary Record represents 5 percent of the total population of beneficiaries. Because each segment contains similar characteristics, the results of the audit are representative of the entire population.

**Table B–2: Quantity of Overpayments with Incorrect Recoveries**

Description	Number of Overpayments
Sample Results (for 1 segment)	31
Projected Quantity (for 1 segment)	9,501
Projection – Lower Limit	7,021
Projection – Upper Limit	12,463
Population Estimate (Projected Quantity x 20 segments)	190,020

**Note:** All projections are at the 90-percent confidence level.

**Table B–3: Amount of Incorrect Overpayment Recoveries**

Description	Incorrect Recoveries
Sample Results (for 1 segment)	\$56,201
Point Estimate (for 1 segment)	\$17,225,044
Projection – Lower Limit	\$10,187,708
Projection – Upper Limit	\$24,262,381
Population Estimate (Point Estimate x 20 segments)	\$344,500,880

**Note:** All projections are at the 90-percent confidence level.

### *Potential Future Incorrect Recoveries*

Of the 37 overpayments for which SSA incorrectly initiated recovery, the Agency may incorrectly recover up to \$109,491 for 18 overpayments in future months unless it ceases recovery efforts and provides a new due-process period. Accordingly, we project SSA may incorrectly collect up to approximately \$671 million in future months unless it ceases recovery efforts and provides a new due-process period for about 110,000 overpayments (see Table B–4 and Table B–5).<sup>3</sup>

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<sup>3</sup> Some of the 110,000 overpayments are included in the 190,000 for which we project SSA had incorrectly collected a portion (see Table B–2).

**Table B–4: Quantity of Overpayments with Potential Future Incorrect Recoveries**

Descriptions	Number of Overpayments
Sample Results (for 1 segment)	18
Projected Quantity (for 1 segment)	5,517
Projection – Lower Limit	3,618
Projection – Upper Limit	7,997
Population Estimate (Projected Quantity x 20 segments)	110,340

**Note:** All projections are at the 90-percent confidence level.

**Table B–5: Amount of Potential Future Incorrect Overpayment Recoveries**

Description	Potential Future Incorrect Recoveries
Sample Results (for 1 segment)	\$109,491
Point Estimate (for 1 segment)	\$33,557,897
Projection – Lower Limit	\$13,186,554
Projection – Upper Limit	\$53,929,239
Population Estimate (Point Estimate x 20 segments)	\$671,157,940

**Note:** All projections are at the 90-percent confidence level.

## Administrative Costs

For 14 of the 39 overpayments for which SSA did not appropriately apply due-process provisions, SSA incurred additional administrative costs when beneficiaries or their representatives contacted SSA via telephone or in person to discuss their overpayments. Accordingly, we estimate SSA employees performed additional work on about 86,000 overpayments for which SSA did not appropriately apply due-process provisions (see Table B–6).

**Table B–6: Quantity of Overpayments with Follow-up Administrative Costs**

Description	Number of Overpayments
Sample Results (for 1 segment)	14
Projected Quantity (for 1 segment)	4,291
Projection – Lower Limit	2,627
Projection – Upper Limit	6,571
Population Estimate (Projected Quantity x 20 segments)	85,820

**Note:** All projections are at the 90-percent confidence level.

## **Appendix C – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

Date: March 15, 2019

Refer To: S1J-3

To: Gail S. Ennis  
Inspector General

A handwritten signature in blue ink that reads "Stephanie Hall".

From: Stephanie Hall  
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "SSA's Application of Due-process Provisions for Old-Age, Survivors and Disability Insurance Overpayments" (A-07-18-50622) --  
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 DRAFT  
REPORT, “THE SOCIAL SECURITY ADMINISTRATION’S APPLICATION OF DUE-  
PROCESS PROVISIONS FOR OLD-AGE, SURVIVORS AND DISABILITY  
INSURANCE OVERPAYMENTS” (A-07-18-50622)**

We have a number of systems in place to record and manage benefit payments. Although we have automated systems to make benefit adjustments, there are many instances when manual coding is required. When manual actions and automated systems adjust benefits within days of each other, the actions may be related and provide beneficiaries due-process language in one notice and not in another related notice. In other situations, the beneficiary may not receive their due-process language if staff does not correctly code the system. In fiscal year 2018, we began development on a comprehensive multi-year project to modernize and streamline our overpayment processes into one debt management system. The new system will allow us to more effectively and efficiently post, track, collect, and report overpayment activity, and improve the accuracy of notifications to beneficiaries.

Our responses to the recommendations are below.

**Recommendation 1**

Simplify MACADE notice inputs and clarify related policies and procedures.

Response

We agree.

**Recommendation 2**

Improve its alert and quality review processes for overpayments requiring manual notices to ensure notices are complete, accurate, and sent timely.

Response

We agree.

**Recommendation 3**

Revise systems programming to ensure automated overpayment notices contain all required due-process language.

Response

We agree.

#### **Recommendation 4**

Correct the 37 overpayments we identified for which SSA incorrectly initiated recovery.

#### **Response**

We agree.

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