
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SOCIAL SECURITY
ADMINISTRATION'S
ADMINISTRATIVE FINALITY RULES**

July 2005 A-01-04-24024

AUDIT REPORT



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We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

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The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
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By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: July 26, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: Social Security Administration's Administrative Finality Rules (A-01-04-24024)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) consistently applied the rules of administrative finality under the Supplemental Security Income (SSI) program.¹

BACKGROUND

Title XVI of the Social Security Act established the SSI program in 1972.² In administering the program, SSA seeks to achieve three key objectives:

- Benefit adequacy, that is, providing a minimum level of income for the aged, blind, and disabled to meet basic living needs;
- Benefit equity, or ensuring that those with similar income, resources, and living arrangements are treated similarly by establishing objective criteria for determining eligibility and benefit amounts; and
- Program integrity, or ensuring that benefits are paid accurately and efficiently and with no tolerance for fraud.³

¹ See Appendix C for information on the rules of administrative finality under the Old-Age, Survivors and Disability Insurance program.

² The Social Security Act § 1601, *et seq.*, 42 U.S.C. § 1381, *et seq.* See also 20 C.F.R. § 416.110.

³ SSA, *The Supplemental Security Income Program at the Millennium* (page 2), November 2000.

In December 2004, SSA paid over \$3 billion in SSI payments to about 7 million recipients.⁴ Because SSI is a needs based program, recipients are required to report to SSA changes in living arrangements, income, or resources, which could impact monthly payments.⁵ Despite this requirement, recipients do not always inform the Agency when changes occur. Therefore, to detect unreported changes, SSA conducts computer matches with other agencies (e.g., the Internal Revenue Service) and also conducts periodic eligibility redeterminations with SSI recipients.⁶

ADMINISTRATIVE FINALITY

Administrative finality is the term used by SSA to describe the discretionary rules under which the Agency revises previously-issued monthly payments. In general, the Agency will revise monthly SSI payments within 12 months for any reason, within 24 months for good cause, or at any time if fraud or similar fault exists.⁷ According to SSA, the purpose of administrative finality is to: (1) ease the administration of the program and (2) allow the public to be able to rely on the Agency's decisions.⁸

When a change occurs that may impact an individual's payment amount, staff normally revise the affected months and assess any overpayments within 24 months if no fraud or similar fault is found. Therefore, except in those cases involving fraud or similar fault, revisions are not made to payments that were issued before the 24-month period (and overpayments are not assessed), even if the change first occurred more than 24 months in the past.⁹ (See Appendix D for prior Office of the Inspector General reports related to administrative finality.)

⁴ SSA, *Monthly Statistical Snapshot* (Table 3), December 2004. SSI payments are funded by the general revenues of the Federal Government. In addition, State-funded supplementary payments may be issued to qualified individuals in certain States.

⁵ The Social Security Act §§ 1614(f) and 1631(e)(1)–(2), 42 U.S.C. §§ 1382c(f) and 1383(e)(1)–(2), 20 C.F.R. § 416.701. See also SSA, POMS, SI 02301.005.

⁶ Redeterminations are periodic reviews of recipients' non-medical factors of SSI eligibility.

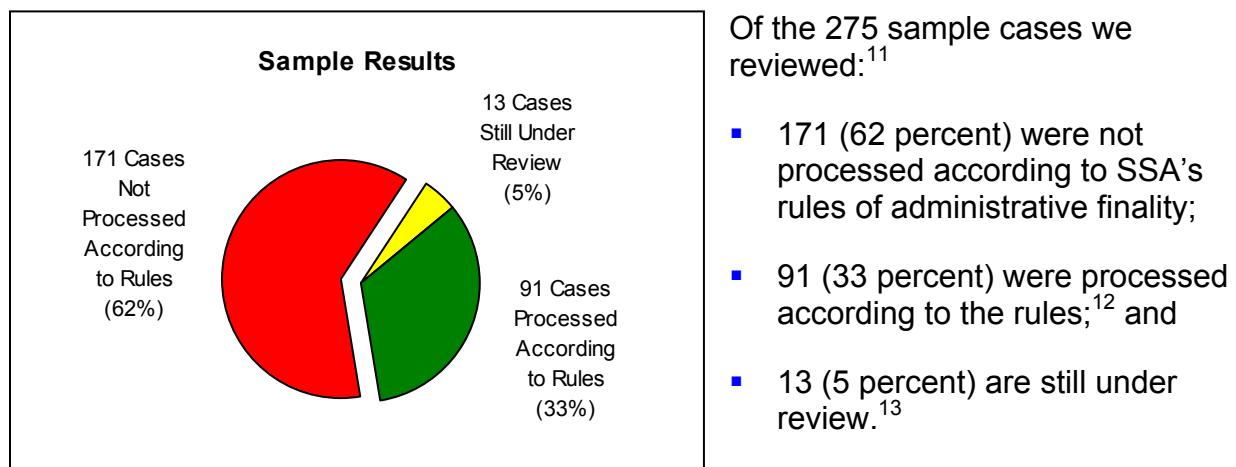
⁷ SSA finds that there is good cause to reopen a determination or decision if: "...(1) New and material evidence is furnished; (2) A clerical error was made; or (3) The evidence that was considered in making the determination or decision clearly shows on its face that an error was made." (20 C.F.R. §§ 416.1488–1489.) Fraud exists when any person knowingly, willfully and with intent to defraud makes or causes a false statement to be made or conceals or misrepresents a fact that is material to eligibility or payment amount. Similar fault exists under the same circumstances except intent to defraud is not required. (SSA, POMS, SI 04070.010A.)

⁸ SSA, Administrative Message AM-04020, February 3, 2004.

⁹ SSA, POMS, GN 02201.001A. SSA defines an overpayment as "...the total amount an individual received for any period which exceeds the total amount which should have been paid for the period." See also 20 C.F.R. § 416.537. SSI payments that are not revised because of administrative finality are not considered overpayments. This includes State-funded supplementary payments administered by SSA.

RESULTS OF REVIEW

SSA's administrative finality rules were not consistently applied for the majority of our sample cases. Although no fraud or similar fault was found, some recipients were held responsible for repaying SSI overpayments that were assessed beyond 24 months, while others were not assessed any overpayments for months beyond the administrative finality limit. Specifically, we estimate that approximately \$74.7 million in SSI payments to about 53,058 individuals was assessed as overpayments beyond the 24-month limit when no fraud or similar fault was found.¹⁰ Of this amount, we estimate that SSA recovered about \$4.3 million and was pursuing recovery of an additional \$24.2 million as of September 30, 2004. (See Appendix B for our sampling methodology.)



¹⁰ See Appendix E for information about payments that were not assessed as overpayments because the Agency's administrative finality rules were applied.

¹¹ For information about the changes that caused the overpayments to the recipients in our sample, as well as information about the ways in which SSA discovered those changes, see Appendix B, tables 6 and 7, respectively.

¹² This includes 7 recipients whose overpayments were not limited to 24 months because SSA determined that fraud or similar fault was involved.

¹³ As of June 2005, we did not receive responses to our requests for information about these 13 cases from SSA's Field Offices.

CASES NOT PROCESSED ACCORDING TO ADMINISTRATIVE FINALITY RULES

SSI payments totaling \$240,647 to 171 individuals were assessed as overpayments despite SSA's rules of administrative finality.¹⁴ Of this amount, SSA recovered about \$13,918 and was pursuing recovery of an additional \$78,136 as of September 30, 2004.¹⁵

For example, on May 12, 2003, SSA discovered that a SSI recipient changed his living arrangement on February 22, 2000. Because the Agency did not find fraud or similar fault, the overpayment assessment should have been limited to 24 months according to administrative finality. However, SSA staff revised monthly payments (which included State-funded supplementary payments) beyond 24 months to March 2000. This resulted in an overpayment totaling \$16,354. Of this amount, \$7,746 was assessed beyond the administrative finality limit. (As of September 30, 2004, SSA recovered \$4,147 and was pursuing recovery of the remaining \$3,599.)

REASONS FOR THE INCONSISTENT APPLICATION OF ADMINISTRATIVE FINALITY

We believe the administrative finality rules were inconsistently applied for several reasons, including: (1) limitations in SSA's policies and procedures, (2) misunderstandings of the rules by Field Office staff, and (3) limitations in the Agency's computer systems.

Administrative Finality Policies and Procedures

Field Office staff did not have specific policies and procedures to follow when revising overpayments that involved administrative finality. Although the Agency's operating instructions indicate that overpayments may be revised in accordance with the administrative finality rules, the instructions do not specify how to process those revisions when a portion of the overpayment occurred more than 24 months in the past.¹⁶

For example, in response to our request for information, a Field Office employee indicated that a case in our sample was not processed in accordance with the administrative finality rules and requested guidance on how to correct the resulting overpayment. We provided staff in SSA's Office of Income Security Programs with the details of the case and asked how the overpayment should be revised. In response, staff acknowledged that there are no policy instructions that specifically address revising

¹⁴ This includes 78 individuals whose SSI payments included State-funded supplementary payments administered by SSA.

¹⁵ For more information about the status of these overpayments as of September 30, 2004, see Appendix B, table 8.

¹⁶ SSA, POMS, SI 04070.070.

overpayments that include amounts that should not have been assessed under administrative finality.¹⁷ Without written policies for Field Office employees to follow, similar cases may not be consistently processed.

Misunderstandings of the Rules by SSA Staff

We found that Field Office staff did not always fully understand the rules of administrative finality.¹⁸ In 11 cases in which staff revised too many months, the recipients filed appeals questioning the accuracy of the overpayments or requested waivers to relieve them of their obligations to repay the funds. However, in each case, SSA staff upheld the prior determinations or denied the waiver requests, even though a portion of the overpayments should not have been assessed according to administrative finality.

In 10 other cases, staff informed us that the cases were processed in accordance with administrative finality when, in fact, they were not.¹⁹ In each of these cases, SSA staff determined the period that could be revised to be greater than 24 months even though neither fraud nor similar fault was found.

Computer System Limitations

Generally, SSA uses its Modernized Supplemental Security Income Claims System (MSSICS) to electronically establish and update SSI records. However, the system has not been fully programmed to prevent revisions to payments that should not be changed according to the Agency's administrative finality rules. Because of these limitations, SSA staff must understand the rules and pay careful attention to the information entered into MSSICS and the results produced by the system to ensure those rules are appropriately applied. We found that SSA staff did not always ensure that the system's results were in accordance with administrative finality rules and, as a result, payments issued more than 24 months in the past were assessed as overpayments even though fraud or similar fault was not found.

¹⁷ According to SSA's Office of Income Security Programs, the portion of the overpayment that was incorrectly assessed in this sample case should be considered uncollectible.

¹⁸ SSA provided training on administrative finality in September 2003, but it was limited to situations involving fugitives. Our sample included 17 fugitive cases, all of which were processed before the Agency's September 2003 training. (Of these 17 cases, 11 were not processed in accordance with SSA's administrative finality rules.)

¹⁹ It is possible that, in other cases which were not processed in accordance with administrative finality, SSA staff believed they processed the changes appropriately, although they did not specifically indicate this in their responses to us.

Information Entered into MSSICS

When SSA discovers changes that could affect months prior to the administrative finality period, Agency staff may have to manipulate the data entered into MSSICS to ensure the rules are properly applied. For example, when law enforcement issues a warrant for an SSI recipient, SSA staff are instructed to enter the date of the warrant into MSSICS unless it is beyond the administrative finality limit.²⁰ When this happens, SSA staff must input the earliest date that is permitted by administrative finality instead of the actual warrant date.²¹ We found that Agency staff did not always modify the data entered into MSSICS and, as a result, too many months were revised. Specifically, we identified cases where SSA staff input into MSSICS the dates that the recipients' circumstances changed even though those dates were beyond the administrative finality period (and fraud or similar fault was not found).

For example, on January 5, 2002, SSA discovered—through a computer match—that a recipient began receiving an annuity in September 1999. Although SSA did not find fraud or similar fault, Agency staff input into MSSICS the date that the recipient began receiving her annuity in September 1999, which was more than 24 months in the past. This resulted in an overpayment totaling \$12,423. Of this amount, \$1,195 was assessed beyond the administrative finality limit.

Overriding MSSICS Output

MSSICS considers administrative finality by setting the periods of review for redeterminations to 24 months when income is not involved and 26 months when income is involved. MSSICS allows SSA staff to gather information over a 26-month period because income generally impacts monthly SSI payments 2 months after it is received.²² However, under certain circumstances, income may be counted in the month it is received or 1 month later. As a result, MSSICS may revise monthly payments beyond 24 months. To prevent this, SSA staff must override the system's calculations when they would result in changes to SSI payments that were issued prior to the 24-month administrative finality period.²³ However, we found this procedure was not always followed and, as a result, too many months were revised.

For example, on April 13, 1999, SSA staff initiated a redetermination on MSSICS with an SSI recipient. At that time, the Agency discovered that the individual was receiving more income than was previously reported but did not find fraud or similar fault. Consequently, SSA staff reviewed the period from March 1997 to March 1999, which

²⁰ Modernized System Operations Manual, Part 4, Chapter 109 I. In general, individuals are ineligible for an SSI payment for any month in which a felony or parole/probation violation warrant is unsatisfied (Social Security Act § 1611(e)(4), 42 U.S.C. § 1382(e)(4)).

²¹ If the actual date the warrant was issued is entered into MSSICS, the program may revise months that should not be changed according to the administrative finality rules.

²² 20 C.F.R. § 416.420.

²³ SSA, POMS, SI 04070.030.B.2.

was within 26 months. Under administrative finality, May 1997 was the earliest month that should have been revised. Because of the amount of income received in March 1997, it was counted in that month instead of 2 months later. However, SSA staff did not override the system's overpayment assessment. Of the \$1,764 overpayment recorded, \$131 was assessed beyond the administrative finality limit.

In responding to our request for information, a Field Office manager acknowledged that staff must be fully aware of the administrative finality rules to ensure that they are applied correctly in MSSICS. In her correspondence with us, she wrote:

MSSICS allows [staff] to make changes going past administrative finality. Only an experienced [claims representative] catches this and prevents changes being sent to the [Supplemental Security Record] going beyond [administrative] finality. Less experienced [claims representatives] are unaware they have even violated the rules of administrative finality. If the change isn't caught when the overpayment letter is sent out...then the [recipient] is charged with and is liable for repayment of an overpayment for which, in part, may be erroneously created.

CONCLUSION AND RECOMMENDATIONS

SSA staff did not consistently apply the Agency's administrative finality rules in our sample SSI cases. Limitations in SSA's policies, procedures and computer systems—as well as misunderstandings of the rules by SSA staff—contributed to the inconsistent application of the rules. As a result, some recipients were required to repay SSI payments that were issued prior to the 24-month administrative finality periods while others were not. Therefore, to assist the Agency in ensuring that SSI recipients are treated equitably, we recommend that SSA:

1. Develop specific policies and procedures for staff to follow when revising overpayments that involve administrative finality.
2. Provide comprehensive training to SSA staff on the rules of administrative finality.
3. Enhance MSSICS to prevent the revisions to monthly payments that preceded the administrative finality period when neither fraud nor similar fault is found.

AGENCY COMMENTS

SSA agreed with our recommendations. (See Appendix F for SSA's comments.)



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A — Acronyms

APPENDIX B — Scope, Methodology and Sample Results

APPENDIX C — Administrative Finality in the OASDI Program

APPENDIX D — Related Office of the Inspector General Reports

APPENDIX E — SSI Payments Not Considered Overpayments Because of
Administrative Finality

APPENDIX F — Agency Comments

APPENDIX G — OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

C.F.R.	Code of Federal Regulations
MSSICS	Modernized Supplemental Security Income Claims System
OASDI	Old-Age, Survivors and Disability Insurance
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
U.S.C.	United States Code

Scope, Methodology and Sample Results

To accomplish our objective, we:

- Reviewed applicable sections of the Social Security Act and the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General audit reports.
- Contacted SSA staff from the Office of Income Security Programs for clarification of the Agency's administrative finality rules.
- Obtained a file from SSA of 85,327 Supplemental Security Income (SSI) recipients who had overpayments of at least a \$1,000 spanning 24 months or more and ending between January 1999 and March 2004. We selected a random sample of 275 cases from this population for detailed analysis. Specifically, for each sample case, we:
 1. reviewed available electronic data—including the Supplemental Security Record and the Modernized Supplemental Security Income Claims System—and obtained further information from staff in SSA's Field Offices;
 2. calculated the portions of the overpayments that were recorded contrary to the Agency's administrative finality rules;
 3. determined whether an appeal or waiver request was denied on recorded overpayments that were assessed beyond the 24-month administrative finality period when no fraud or similar fault was found;
 4. determined the causes of overpayments (e.g., changes in income, resources, or living arrangements) and how SSA discovered them (e.g., through redeterminations, computer matches, or self-reports); and
 5. quantified the amount of SSI payments that were not considered overpayments because administrative finality was invoked.

We performed our audit in Boston, Massachusetts between July 2003 and February 2005. We tested the data obtained for our audit and determined it to be sufficiently reliable to meet our audit objective. We did not assess whether SSA appropriately developed fraud or similar fault when applying its administrative finality rules. The entities audited were the Office of Income Security Programs under the Deputy Commissioner for Disability and Income Security Programs and SSA's Field Offices under the Deputy Commissioner of Operations. We conducted our audit in accordance with generally accepted government auditing standards.

SAMPLE RESULTS

Table 1: Population and Sample Size

Population size	85,327
Sample size	275

Table 2: Cases With Overpayments Assessed Despite Administrative Finality

	Attribute	Dollars
Sample results	171	\$240,647
Point estimate	53,058	\$74,668,057
Projection lower limit	48,736	\$57,462,699
Projection upper limit	57,212	\$91,873,415

Note: All projections were calculated at the 90-percent confidence level.

Table 3: Recovered Overpayments That Were Assessed Despite Administrative Finality

	Attribute	Dollars
Sample results	34	\$13,918
Point estimate	10,550	\$4,318,489
Projection lower limit	7,882	\$1,852,067
Projection upper limit	13,747	\$6,784,912

Note: All projections were calculated at the 90-percent confidence level.

Table 4: Pursuing Recovery of Overpayments that Were Assessed Despite Administrative Finality

	Attribute	Dollars
Sample results	67	\$78,136
Point estimate	20,789	\$24,243,973
Projection lower limit	17,196	\$15,908,158
Projection upper limit	24,738	\$32,579,788

Note: All projections were calculated at the 90-percent confidence level.

Table 5: SSI Payments That Were Not Considered Overpayments Because Administrative Finality Was Applied¹	Attribute	Dollars
Sample results	25	\$157,024
Point estimate	7,757	\$48,721,267
Projection lower limit	5,464	\$21,552,436
Projection upper limit	10,631	\$75,890,098

Note: All projections were calculated at the 90-percent confidence level.

CAUSES OF OVERPAYMENTS

We reviewed the changes which caused the overpayments to the SSI recipients in our sample. The following table shows that the primary cause of overpayments was unreported income.

Table 6: Causes of Overpayments	Recipients	Percent
Unreported Income	153	56%
Unreported Changes in Living Arrangements ²	67	24%
Unreported Resources	39	14%
Not Determined ³	13	5%
Disability Cessations	3	1%
Total	275	100%

¹ Although some of the cases in Table 5 are also in Table 2, the dollars in both these tables are separate and distinct.

² We included recipients who were living outside of the United States as well as fugitives with outstanding warrants in this category.

³ As of June 2005, we did not receive responses to our requests for information about these 13 cases from SSA's Field Offices.

DISCOVERING THE CHANGES WHICH CAUSED THE OVERPAYMENTS

Table 7 illustrates the various ways SSA discovered the changes which caused the overpayments in our sample. SSA discovered the majority of overpayments by conducting redeterminations and performing computer matches.

Table 7: Discovering Overpayments	Recipients	Percent
Computer Matches	109	40%
Scheduled Redeterminations	105	38%
Recipient Self-Reported	37	14%
Not Determined	24	8%
Total	275	100%

RECOVERY OF OVERPAYMENTS

Table 8 shows the status—as of September 30, 2004—of the overpayments in our sample that were assessed despite the Agency's administrative finality rules.⁴

Table 8: Recovery Status of Overpayments that were Assessed Despite SSA's Administrative Finality Rules	Amount	Percent
Pursued for Recovery	\$78,136	32%
Subsequently Deleted	\$76,171	32%
Waived or Deemed Uncollectible	\$72,422	30%
Recovered	\$13,918	6%
Total	\$240,647	100%

⁴ Overpayments that were assessed despite SSA's administrative finality rules were recorded and resolved by the Agency together with amounts that were correctly assessed. Therefore, if the amounts that SSA recovered exceeded the overpayments that were recorded in accordance with the rules, we concluded that the Agency recovered a portion of the overpayments that were assessed despite the rules.

Appendix C

Administrative Finality in the OASDI Program

The Old-Age, Survivors and Disability Insurance (OASDI) program provides benefits to replace some of the earnings lost due to the retirement, disability or death of a worker.¹ Like the Supplemental Security Income (SSI) program, OASDI benefits may be revised under the rules of administrative finality. The Commissioner of the Social Security Administration (SSA) has the authority to establish regulations and policies for the administration of the Agency's programs.² SSA has established different criteria for the SSI and OASDI programs. The table below shows some of the differences between the programs.

Comparison of Administrative Finality Rules in SSA Programs	
SSI³	OASDI⁴
<i>A determination made by SSA may be revised...</i>	
...within 1 year for any reason.	...within 1 year for any reason.
...within 2 years if: <ul style="list-style-type: none">▪ New and material evidence is furnished;▪ A clerical error was made; or▪ The evidence that was considered in making the determination clearly shows on its face that an error was made.	...within 4 years if: <ul style="list-style-type: none">▪ New and material evidence is furnished;▪ A clerical error was made; or▪ The evidence that was considered in making the determination clearly shows on its face that an error was made.
... at any time , if fraud or similar fault is found.	... at any time , if <ul style="list-style-type: none">▪ fraud or similar fault is found, or▪ Evidence clearly shows on its face that an error was made and if the change would be favorable to the beneficiary.⁵

¹ The Social Security Act §§ 201– 202, 42 U.S.C. §§ 401– 402.

² The Social Security Act § 702(a)(5), 42 U.S.C. § 902(a)(5).

³ 20 C.F.R. §§ 416.1487-1494. See also SSA, POMS, SI 04070.010.

⁴ 20 C.F.R. §§ 404.987-996. See also SSA, POMS, GN 04010.020B.

⁵ SSA's regulations provide several other reasons that permit revisions at any time under the OASDI program.

In general, the Agency established more limitations on revising previously issued monthly payments under the SSI program than under the OASDI program. For example, in our April 2005 report, *Disabled Supplemental Security Income Recipients With Earnings* (A-01-04-14085), we estimated that about \$8.1 million was not paid to about 11,880 SSI recipients because of administrative finality. However, these funds would have been paid if the SSI rules permitted changes beyond the 24-month period when those changes would be favorable to the recipients (similar to the rules under the OASDI program).

For example, SSA withheld a portion of an SSI recipient's payments based on her estimated earnings for 1999 and 2000. However, her actual earnings were less than the amounts previously estimated. Although we alerted SSA to the discrepancy during the audit, too much time elapsed and the Agency did not review the earnings because of administrative finality. We estimate that this individual may have been eligible to receive an additional \$1,019 but—because of administrative finality—it was not paid.

Because we were unable to identify a population of OASDI records in which SSA's administrative finality rules were involved, we could not assess whether the Agency applied the rules consistently under the OASDI program. Therefore, we could not determine whether the inconsistencies we found in the SSI program also existed in the OASDI program.

Related Office of the Inspector General Reports

We have issued several reports that discussed the Social Security Administration's (SSA) rules of administrative finality.

Payment Accuracy Rates

In December 1999, we issued our audit report, *Performance Measure Review: Reliability of the Data Used to Measure the Dollar Accuracy of Old-Age and Survivors Insurance Payment Outlays* (A-02-98-01001). In this report, we noted that SSA's payment accuracy rate excludes payment errors subject to administrative finality. We recommended that the Agency "Include all error cases in the calculation of the accuracy rate." SSA had the following response:

SSA's regulations on administrative finality provide that determinations and decisions made by the Agency can be reopened and revised only for certain reasons and within certain periods of time. Since these determinations are the final decisions of the Commissioner, they are presumed to be correct and payments subject to administrative finality cannot be adjusted. No overpayment exists or should be computed for the period.

We believe there is little utility to reporting situations that are not subject to correction and including these cases as a measure of accuracy would distort the validity of the data.

In our report, we responded that "The purpose of the Stewardship Review is to provide an assessment of the accuracy of payments in the Title II program. Although payments subject to administrative finality cannot be adjusted, they are erroneous payments. These payments should be included in the calculation of the Title II rate since their inclusion would result in a better representation of the accuracy of Title II payments."

Missing SSNs

In September 2002, we issued our audit report, *Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Do Not Have Their Own Social Security Numbers* (A-01-02-22006). In this audit, we found 53 cases in which SSA did not consider the individuals' Old-Age, Survivors and Disability Insurance (OASDI) benefits when calculating their Supplemental Security Income (SSI) eligibility because their Social Security numbers (SSN) were missing from their OASDI benefit records. In total, these individuals received \$1.17 million that would not have been paid if SSA had considered their OASDI benefits when the Agency calculated their SSI payments. However, because of SSA's rules of administrative finality, \$723,396 of the \$1.17 million was not recorded as overpayments and recovery was not pursued.

SSI Fugitive Felon Project

In September 2003, we issued our audit report, *Assessment of the Supplemental Security Income Fugitive Felon Project* (A-01-03-23070). In this audit, we found that SSA did not recover about \$137.8 million in SSI payments—issued to fugitives who had outstanding warrants—because the Agency applied its administrative finality rules.

To address discrepancies in the application of administrative finality with regard to fugitive ineligibility, we recommended that SSA provide guidance, training and oversight of administrative finality decisions to ensure the rules are applied uniformly to all fugitives. The Agency agreed and issued new procedural instructions which included information about administrative finality rules as they relate to fugitive determinations.¹ In addition, SSA provided refresher training via a nationwide video broadcast in September 2003, which included reminders about the application of administrative finality when revising payments to fugitives.

Incorrect SSNs

In November 2003, we issued our audit report, *Impact on the Social Security Administration's Programs When Auxiliary Beneficiaries Have Incorrect Social Security Numbers* (A-01-03-33020). In this audit, we found 13 cases in which SSA did not consider the auxiliary beneficiaries' OASDI benefits when calculating their SSI eligibility because their SSNs were incorrectly recorded on their OASDI benefit records. In total, these individuals received \$448,275 that would not have been paid if SSA had considered their OASDI benefits when the Agency calculated their SSI payments. However, as a result of SSA's administrative finality rules, \$219,111 of the \$448,275 was not recorded as overpayments and recovery was not pursued.

Disabled SSI Recipients with Earnings

In April 2005, we issued our audit report, *Disabled Supplemental Security Income Recipients with Earnings* (A-01-04-14085). Although we estimated that approximately \$12.4 million was overpaid to about 11,880 recipients because SSA did not previously consider all of the recipients' earnings when calculating their SSI payment amounts, we also found that additional SSI payments were not recorded as overpayments because of the Agency's administrative finality rules. Specifically, we estimated that the earnings discrepancies for about 61,380 recipients would have resulted in an additional \$74.7 million in overpayments were it not for the Agency's administrative finality rules. We also estimated that about \$8.1 million to about 11,880 SSI recipients was not paid because administrative finality was invoked and their SSI records were not revised.

¹ SSA, POMS, SI 00530.

Appendix E

SSI Payments Not Considered Overpayments Because of Administrative Finality

Supplemental Security Income (SSI) payments that are not changed because of the Social Security Administration's (SSA) administrative finality rules do not meet the Agency's definition of overpayments and, therefore, recovery is not pursued. Our sample showed that SSA staff determined that monthly payments totaling \$157,024 could not be assessed as overpayments because they preceded the 24-month administrative finality limit (and neither fraud nor similar fault was found).¹ We estimate that about \$48.7 million in SSI payments was not assessed as overpayments because administrative finality was applied.² However, if SSA (1) had detected the changes within the 24-month period; (2) found that fraud or similar fault existed; or (3) had not established the 24-month administrative finality limitation, these funds could have been pursued for recovery.

Because SSA does not perform redeterminations of all SSI recipients every 2 years, changes that occurred beyond this period may not be detected and evaluated by the Agency to determine their impact on SSI payments. SSA generally schedules redeterminations annually or once every 6 years, depending on the likelihood of payment errors. However, the periods of time covered by redeterminations do not generally exceed 2 years. Therefore, when redeterminations are scheduled every 6 years for cases presumed to have a low risk of errors, 4 years of payments may not be reviewed by SSA. Consequently, if changes that occurred during this 4-year period are not reported until a scheduled redetermination is performed, the SSI payments that were issued may not be revised and assessed as overpayments because of administrative finality (unless fraud or similar fault is found).

¹ This includes State supplementary payments that SSA issued on behalf of various States. For purposes of this audit, we did not assess whether SSA appropriately developed fraud or similar fault when applying its administrative finality rules.

² This figure may be understated because the data available for some of our sample cases was limited. We were unable to quantify an amount for all cases because the Agency does not routinely obtain evidence of changes that occurred prior to the 24-month administrative finality limit when fraud or similar fault is not involved.

Appendix F

Agency Comments



SOCIAL SECURITY

MEMORANDUM

33196-24-1116

Date: June 23, 2005 Refer To: S1J-3

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

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Social Security Administration's Administrative Finality Rules" (A-01-04-24024)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report's recommendations are attached.

Please let me know if you have any questions. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:
SSA Response

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
"SOCIAL SECURITY ADMINISTRATION'S ADMINISTRATIVE FINALITY RULES"
(A-01-04-24024)**

Thank you for the opportunity to comment on the draft report. We agree that the administrative finality rules should be applied consistently to ensure the integrity of the Supplemental Security Income (SSI) program. Our response to the specific recommendations below describe actions already taken and planned to assist staff in applying the rules of administrative finality (AF) consistently. We have also included some technical comments to enhance the accuracy of the report.

Recommendation 1

The Social Security Administration (SSA) should develop specific policies and procedures for staff to follow when revising overpayments that involve administrative finality.

Response

We agree. In our upcoming release of Program Operation Manual System SI 04070, which is expected to be published in June 2005, we have added additional examples of how to calculate the period subject to reopening. These new examples will be placed in SI 04070.030. We also added in this section another example of how to adjust for Retrospective Monthly Accounting (RMA) when the budget month income creates an incorrect overpayment in the budget months barred to correction. Descriptive statements and additional examples were also added to SI 04070.070 to clarify that, in order to avoid receipt of overpayment diaries for months barred to correction by administrative finality, those months need to have an "N" Type of Action Code (TAC) entered (uncollectible overpayment). We also added two examples of reopening overpayment determinations to clarify how and when to revise an overpayment determination and which months are subject to revision.

Recommendation 2

SSA should provide comprehensive training to SSA staff on the rules of administrative finality.

Response

We agree. Most of our training and/or recent instructions about AF have been written in reference to specific workloads, such as fugitive felon procedures, and not on general rules and proper procedure. In addition, the significant differences in AF between the Title II and Title XVI programs make it difficult to ensure consistent application within each program. We will develop and deliver training that includes examples of situations routinely encountered by employees and illustrate the proper way to post information in the Modernized Supplemental Security Income Claims System (MSSICS) so that AF is properly considered.

Recommendation 3

SSA should enhance MSSICS to prevent the revisions to monthly payments that preceded the administrative finality period when neither fraud nor similar fault is found.

Response

We agree. We will determine the feasibility of enhancing MSSICS to prevent erroneous revisions to monthly payments that precede the AF period. We have requested additional TAC's to clarify overpayments that are barred to recovery because of AF. Resources to complete these requests will need to be ranked and approved via the Information Technology Advisory Board (ITAB) process before the enhancements can be made.

[SSA provided additional technical comments which we incorporated into this report as appropriate.]

Appendix G

OIG Contacts and Staff Acknowledgments

OIG Contacts

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Acknowledgments

In addition to those named above:

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