

Evaluation Report

The Social Security Administration's
Plan to Reduce Improper Payments
Under Executive Order 13520, as
Reported in April 2014

OIG

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: September 29, 2014 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in April 2014 (A-15-14-14127)

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

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



Patrick P. O'Carroll, Jr.

Attachment

The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in April 2014

A-15-14-14127



September 2014

Office of Audit Report Summary

Objectives

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

Background

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

Our Findings

During our review, we noted the Agency generally presented all information required for Executive Order 13520 in its Annual Report, except for the corrective actions for the Supplemental Security Income (SSI) program and explanations for Old-Age, Survivors and Disability Insurance and SSI programs' performance in meeting its reduction targets. We also noted four immaterial instances of figures that were inaccurate based on the supporting documentation.

The Agency has reported the same corrective actions for the SSI program in the past four reporting cycles and has not reported any new initiatives that prevent and identify improper payments. Additionally, the Agency has no full implementation date established for its Access to Financial Institutions program. We reported these same observations in prior evaluations and made recommendations to address our findings. Although we did not repeat our recommendations in this report, we encourage the Agency to continue pursuing corrective actions.

TABLE OF CONTENTS

Objectives	1
Background	1
Improper Payments	2
Results of Review	2
Requirements of Executive Order.....	2
Methodology for Identifying and Measuring Improper Payments	2
Plan for Meeting the Reduction Targets for Improper Payments	3
Plan for Ensuring the Initiatives Do Not Unduly Burden Program Access.....	6
Quarterly High-Dollar Report to the OIG and Council of Inspectors General on Integrity and Efficiency	7
Website Submission.....	7
Risk and Oversight Assessed by the OIG	8
Accuracy of Reported Information	8
Conclusions.....	9
Appendix A – Scope and Methodology	A-1
Appendix B – Defining Erroneous Payments	B-1
Appendix C – Discrepancies in the Annual Report	C-1
Appendix D – Major Contributors.....	D-1

ABBREVIATIONS

AFI	Access to Financial Institutions
AFR	Agency Financial Report
CIGIE	Council of Inspectors General on Integrity and Efficiency
DI	Disability Insurance
Fed. Reg.	Federal Register
FY	Fiscal Year
GAO	Government Accountability Office
IPIA	<i>Improper Payments Information Act of 2002</i>
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
SSIMWR	Supplemental Security Income Mobile Wage Reporting
SSITWR	Supplemental Security Income Telephone Wage Reporting

OBJECTIVES

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

BACKGROUND

On November 20, 2009, the President signed Executive Order 13520¹ to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in major Government-administered programs, while continuing to ensure Federal programs serve and provide access to their intended beneficiaries. The Executive Order provides that, “[w]hen the Federal Government makes payments to individuals and businesses . . . [such] as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm that the right recipient is receiving the . . . [correct] payment . . .”²

As part of the Executive Order,³ each agency operating a high-priority program identified by the Office of Management and Budget (OMB) is required to provide its OIG annually, within 180 days of the Order, a report containing the

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

OMB classified SSA's Title II Old-Age, Survivors and Disability Insurance (OASDI) and Title XVI Supplemental Security Income (SSI) programs as high-priority.⁴

¹ *Reducing Improper Payments*, 74 Fed. Reg. 62201 (November 25, 2009).

² Id. at § 1.

³ 74 Fed. Reg. 62202, § 3(b).

⁴ OMB, M-10-13, *Issuance of Part III to OMB Circular A-123, Appendix C, and Circular A-123, Management's Responsibility for Internal Control, Appendix C, Part III, Requirements for Implementing Executive Order 13520: Reducing Improper Payments*, § (A)(1)(e), pp. 5-6, (March 22, 2010).

Improper Payments

Each year, SSA reports payment accuracy rates for the OASDI and SSI programs based on its stewardship reviews, which the Agency uses to measure the accuracy of benefit payments. SSA reports over- and underpayments from its stewardship reviews of nonmedical aspects for the Retirement and Survivors Insurance, Disability Insurance (DI), and SSI programs. In accordance with OMB's guidelines⁵ implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA),⁶ an improper payment subject to reporting under IPIA is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable guidance. Stewardship review findings provide the basis for reports to monitoring authorities. The Agency also uses data from these reviews in corrective action planning and monitoring performance, as required by the *Government Performance and Results Act of 1993*.⁷

RESULTS OF REVIEW

Our review determined that the Agency (1) generally met the requirements of Executive Order 13520 and (2) accurately reported improper payment information except for four immaterial instances in which figures were inaccurate based on the supporting documentation.⁸

Requirements of Executive Order

In March 2010, OMB issued guidance⁹ for implementing the requirements of the Executive Order. We reviewed the SSA Accountable Official's¹⁰ April 11, 2014 Fifth Annual Report¹¹ to ensure the Agency addressed all requirements of the Executive Order.

Methodology for Identifying and Measuring Improper Payments

OMB guidance requires that an agency's Annual Report describes the agency's program error-measurement methodology, plans for meeting improper payment targets, and plans to

⁵ OMB, M-03-13, *Implementation Guidance for the Improper Payments Information Act of 2002*, Pub. L. No. 107-300, p. 1 (May 21, 2003).

⁶ Pub. L. No. 107-300, § 2, 116 Stat. 2350 (2002).

⁷ Pub. L. No. 103-62, § 4, 107 Stat. 285, 286-289 (1993).

⁸ See Appendix A for the scope and methodology.

⁹ OMB Circular A-123, *supra*.

¹⁰ An accountable official holds an existing Senate-confirmed position that will be accountable for meeting the targets established under Executive Order 13520, *Reducing Improper Payments*. 74 Fed. Reg. 62202, § 3(a).

¹¹ OMB guidance requires that accountable officials for those agencies that are identified as having at least one high-priority program must provide an annual report to their Inspectors General in response to Section 3(b) of the Executive Order. OMB Circular A-123, *supra* at § C(2)(b), p. 16.

ensure program access and participation by eligible beneficiaries.¹² The first requirement of OMB Circular A-123 indicates that the report should include sample size and related calculations; results of annual measurements; and other applicable measurement-related information.¹³

Similar to the details provided by the Agency in our 2012 and 2013 reviews,¹⁴ SSA described the stewardship reviews it used to measure the accuracy of payments to beneficiaries in current payment status. In addition, SSA's Annual Report presented the payment accuracy results from the stewardship reviews through tables titled, *Improper Payments Experience FY 2010 – FY 2012*. This information satisfied the first OMB reporting requirement enumerated above.

Plan for Meeting the Reduction Targets for Improper Payments

The second OMB requirement states that the Annual Report must contain the agency's plan and supporting analysis for meeting the reduction targets for improper payments.¹⁵ This requirement includes reporting

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

In addition to the reduction targets, agencies with high-priority programs are required to establish semiannual or supplemental targets for reducing improper payments.¹⁶ OMB guidance¹⁷ states that supplemental targets should focus on higher-risk areas within the high-priority program and report on root causes of errors that agencies can resolve through corrective actions.

¹² Id., at § C(2)(b) p. 16.

¹³ Id. at § C(2)(c)1, p. 17.

¹⁴ SSA OIG, *The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2013* (A-15-13-13105), September 2013, and SSA OIG, *The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2012* (A-15-12-12141), September 2012.

¹⁵ OMB Circular A-123, *supra* at § (C)(2)(c)2, p. 17.

¹⁶ 74 Fed. Reg. 62201, § 2(a)(ii).

¹⁷ OMB Circular A-123, *supra* at § (B)(2)(e), p. 11.

SSA did not provide all of the required information for the SSI corrective actions reported. In addition, the Agency did not explain the OASDI and SSI programs' performance in meeting its reduction targets.

OASDI

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

SSA's Annual Report stated the root causes of OASDI (1) overpayments were substantial gainful activity and computations and (2) underpayments were errors relating to computations and earnings history. To mitigate these improper payments, SSA identified various areas it would analyze to potentially reduce payment errors, including¹⁸

1. completing work continuing disability reviews that evaluate a beneficiary's work activity to determine whether the work represents substantial gainful activity;
2. matching current DI beneficiaries with earnings reported to SSA by the Internal Revenue Service and posted to the Agency's Master Earnings File; and
3. developing a statistical predictive model to identify the likelihood of beneficiaries who are at risk of receiving large earnings-related overpayments.

While SSA is not required to establish supplemental measures and targets for the OASDI program, it provided the required annual reduction targets for the over- and underpayments. However, SSA did not meet its annual reduction targets for OASDI overpayments for 2 or more consecutive years.¹⁹ The Agency did not explain why the OASDI program did not meet the targeted overpayment error rate reductions. OMB's implementation guidance requires that agencies explain the program's performance in meeting its annual reduction targets.²⁰ The Agency stated, "OMB determines the payment accuracy target for [OASDI] overpayments and underpayments. They have been held steady at 0.2 percent for several years. For FY 2012, each tenth of a percentage point in payment accuracy represents about \$770 million in [OASDI] program outlays. Given limited resources, we try to balance program integrity work with other agency priorities."

¹⁸ SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, April 2014, pp. 6 and 7.

¹⁹ Id. at p. 4.

²⁰ OMB Circular A-123, *supra* at § (C)(2)(c)2.v, p. 17.

SSI

SSA's Annual Report described the root causes of SSI over- and underpayments.²¹ The major causes of SSI (1) overpayments were excess financial accounts, wages, and other real property and (2) underpayments were living arrangements, in-kind support and maintenance, and wages. The corrective actions addressed such high-error categories as excess financial accounts, wages, and non-disability factors. These corrective actions included (1) conducting SSI non-medical redeterminations, (2) using the access to financial institutions (AFI) process, and (3) using the SSI Telephone Wage Reporting System (SSITWR).

SSI Non-Disability Redeterminations are periodic reviews of SSI non-disability eligibility factors, such as income, resources, and living arrangements. SSA conducts redeterminations to ensure it pays SSI payments in the correct amount and only to eligible individuals. The Agency completed approximately 2.63 million redeterminations in Fiscal Year (FY) 2013, and its goal is to complete 2.62 million by the end of FY 2014.

AFI is an electronic process that verifies bank account balances with financial institutions to determine SSI eligibility. AFI also detects undisclosed accounts by searching for accounts that are kept in financial institutions that are geographically near the SSI applicant or recipient. The Agency estimated \$365 million in lifetime SSI program savings.

OMB guidance requires that agency plans and analyses for meeting improper payment reduction targets include corrective actions that are being implemented and their full implementation date.²² However, the Agency did not report the full implementation date, as required.²³ SSA stated it changed the full implementation date to an indefinite date because of limited resources and the necessity to balance other workloads; however, the Agency did not clearly indicate this change in the Annual Report.

SSITWR is a dedicated telephone number that allows individuals to report their wages via a voice-recognition system. Stewardship data indicated that wage-related overpayment dollars resulted from fluctuating income and individuals' failure to timely report wage increases. To simplify the reporting process, SSA created SSITWR. In August 2013, SSA extended SSI Mobile Wage Reporting (SSIMWR) nationally, and it received over 5,100 successful wage reports in September 2013.

SSA's goal was to increase the number of monthly reporters participating in the SSITWR and SSIMWR initiatives to approximately 46,700 in September 2014. As of March 2014, SSA

²¹ SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, April 2014, pp. 10 and 11.

²² OMB Circular A-123, *supra* at § (C)(2)(c)2.ii, p. 17.

²³ OMB Circular A-123, *supra* at § (C)(2)(c)2.ii, p. 17.

reported over 64,900 unique wage-reporting participants in SSITWR and SSIMWR. However, the Agency did not report the program's anticipated costs or return on investment, as required.²⁴

The Agency stated it had three corrective actions in the Annual Report: conduct SSI non-disability redeterminations, use the AFI process, and use the SSITWR system. SSA reported the same corrective actions for the SSI program in the previous four Annual Reports, but there were no significant improvements in its improper payment error rates. The Agency had not provided any additional initiatives to improve the prevention, collection, and detection of improper payments. The Agency provided the following additional information.

As mentioned on pages 172-173 and 174 of the FY 2013 AFR, the President's FY 2014 Budget includes a special legislative proposal that will provide a dependable source of mandatory program integrity funding. The funding will enable us to significantly ramp up our program integrity work and increase our ability to conduct more medical [continuing disability reviews].

SSA did not meet its reduction targets for SSI overpayments and underpayments for 2 or more consecutive years.²⁵ The Agency did not explain why it did not meet the targeted error rates for over- and underpayments. OMB guidance requires an explanation of the program's performance in meeting its reduction targets.²⁶ The Agency stated, "OMB determines the payment accuracy target for SSI overpayments and underpayments. For FY 2012, each tenth of a percentage point in payment accuracy represents about \$53.4 million in SSI program outlays. Given limited resources, we try to balance program integrity work with other agency priorities."

The Agency also developed supplemental measures and targets for the SSI program, as collectively required by the Executive Order and its implementing OMB guidance,²⁷ to address overpayments due to a change that affected payment amount or eligibility and overpayments due to unreported wages. The supplemental measures and targets included (1) SSI non-disability redeterminations and (2) SSITWR. For SSI non-disability redeterminations, SSA's supplemental target was to conduct 2.6 million redeterminations in FYs 2014 and 2015.

Plan for Ensuring the Initiatives Do Not Unduly Burden Program Access

OMB's final requirement is that the Annual Report contains an agency plan, together with supporting analysis, for ensuring initiatives undertaken to implement the Executive Order do not unduly burden program access and participation by eligible beneficiaries.²⁸ Per OMB, "We are

²⁴ OMB Circular A-123, *supra* at § (C)(2)(c)2.iv, p. 17.

²⁵ SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, April 2014, p. 9.

²⁶ OMB Circular A-123, *supra* at § (C)(2)(c)2.v, p. 17.

²⁷ OMB Circular A-123, *supra* at § (B)(2), p. 10, and 74 Fed. Reg. 62201, § 2(a)(ii).

²⁸ OMB Circular A-123, *supra* at § (C)(2)(c)3, p. 17.

presently not developing that guidance.” Therefore, SSA did not include this requirement in its Annual Report.

Quarterly High-Dollar Report to the OIG and Council of Inspectors General on Integrity and Efficiency

In addition to an Annual Report to the OIG, the Executive Order requires that each agency with programs susceptible to significant improper payments under IPIA submit to the OIG and Council of Inspectors General on Integrity and Efficiency (CIGIE), and make available to the public, a report on any high-dollar improper payments identified by the agency.²⁹ The applicable OMB guidance requires such reporting on overpayments but does not reference underpayments.³⁰ According to OMB guidance,³¹ a high-dollar overpayment is any overpayment that exceeds 50 percent of the correct amount of the intended payment where the

1. total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter or
2. payment to an entity³² exceeds \$25,000 as a single payment or in cumulative payments for the quarter.

SSA submitted quarterly high-dollar reports to the OIG and CIGIE for the reporting period started June 2010 and each subsequent quarter thereafter. We issued a report in December 2013³³ covering the high-dollar reporting periods December 2012 and March, June, and September 2013. We will issue a report on our review of the Agency’s high-dollar reports for FY 2014 under a separate cover.

Website Submission

According to the Executive Order,³⁴ agencies are required to submit certain information, subject to Federal privacy policies and, to the extent legally permitted, to the improper payments Website.³⁵ SSA provided the required information³⁶ to the Website and created its own Website

²⁹ 74 Fed. Reg., supra note 1 62203, § 3(f).

³⁰ OMB Circular A-123, supra at § (C)(3), p. 17.

³¹ OMB Circular A-123, supra at § (C)(3)(e), p. 18.

³² As stated in OMB Circular A-123, supra at § (C)(5)(n), p. 22, an entity is a non-individual that owes an outstanding improper payment. The term entity excludes an individual acting in either a personal or commercial capacity (that is, a sole proprietor) or Federal, State, and local government agencies.

³³ SSA OIG, *The Social Security Administration’s Reporting of High-Dollar Overpayments Under Executive Order 13520 in FY 2013* (A-15-13-13115), December 2013.

³⁴ See 74 Fed. Reg., supra at 62201 to 62202, § 2(b).

³⁵ The improper payments Website is located at <http://www.paymentaccuracy.gov>.

³⁶ OMB Circular A-123, supra § (C)(6)(s), pp. 23 and 24.

that provides additional details on improper payments.³⁷ Our review of the Websites confirmed the information accurately reflected the data in SSA's Annual Report.

Risk and Oversight Assessed by the OIG

To assess the level of risk for the SSI and OASDI programs, we reviewed the Government Accountability Office's (GAO)³⁸ High-Risk Series reports to Congress. In February 2013, GAO provided an updated report that identified Federal disability programs as high-risk areas.³⁹ This included SSA's SSI and DI programs.

We continue overseeing the SSI and OASDI programs through various audits and evaluations. For the period April 1, 2013 through March 31, 2014, we issued 72 reports on a variety of challenges that faced the Agency and identified over \$667 million in questioned costs and \$611 million in Federal funds that could be put to better use. We will continue monitoring SSA's programs by conducting and supervising comprehensive financial and performance audits and making recommendations to maximize the effective operations of the Agency's programs most vulnerable to fraud and abuse.

We conducted an in-depth review⁴⁰ of SSITWR to determine whether SSA's SSITWR process effectively received and processed wage reports as well as reduced improper payments. We determined SSITWR effectively received and processed wages reported via telephone. Although SSA had reduced improper payments since it implemented SSITWR, information was not available to correlate the reduction with this new process. The Agency had other initiatives (such as SSI Non-Disability Redetermination and AFI) ongoing during our audit period that could have contributed to the reduction in improper SSA payments.

We also plan to issue a report in 2014 on our evaluation of SSA's AFI program.

Accuracy of Reported Information

SSA provided supporting documentation for all figures in the Annual Report; however, we noted one error in monetary figures and three errors for non-monetary figures for which the supporting documentation did not accurately reflect the Report's data. The discrepancies, however, were not substantive to the overall report content (see list of discrepancies in Appendix C). We informed SSA of these discrepancies, and the Agency corrected the amounts in the Annual Report posted on its improper payments Website.

³⁷ <http://www.ssa.gov/improperpayments>.

³⁸ Effective July 7, 2004, GAO's legal name was changed from the General Accounting Office to the Government Accountability Office.

³⁹ GAO High-Risk Series, *An Update* (GAO-13-283), February 2013.

⁴⁰ SSA OIG, *Supplemental Security Income Telephone Wage Reporting* (A-15-12-11233), February 2014.

CONCLUSIONS

During our review, we noted the Agency generally presented in its Annual Report all information required for Executive Order 13520, except for the corrective actions for the SSI program and explanations for OASDI and SSI programs' performance in meeting its reduction targets. We also noted four immaterial instances of figures that were inaccurate based on the supporting documentation.

The Agency has reported the same corrective actions for the SSI program in the past four reporting cycles and has not reported any new initiatives that prevent and identify improper payments. Additionally, the Agency has no full implementation date established for its AFI program. We reported these same observations in prior evaluations and made recommendations to address our findings.⁴¹ Although we did not repeat our recommendations in this report, we encourage the Agency to continue pursuing corrective actions.

At the conclusion of our evaluation, the Agency provided the following comments.

We appreciate your acknowledgement that we generally complied with Executive Order 13520.

Regarding your statement that we did not report corrective actions for the Supplemental Security Income (SSI) program, we have made progress in this area. Currently, the SSI redetermination statistical predictive model, the Access to Financial Institutions, and the Supplemental Security Income Telephone Wage Report are our three primary corrective action initiatives. We also continue to develop pilots for new initiatives. For example, our 2015 budget request notes that, in 2014, we are testing third party data for the Non-Home Real Property pilot to refine and potentially expand its use. We can only report on initiatives where we have proven success and realize cost-effectiveness, and will report on any initiatives that fit those criteria in future reports.

In response to your statement that we did not provide explanations for Old-Age, Survivors and Disability Insurance (OASDI) and SSI program performance in meeting our reduction targets; we believe it is important for the reader to understand that it is not possible to directly and specifically pinpoint why we did not achieve a particular error rate target. In complex programs like OASDI and SSI, the impact on the improper payment rate results from numerous factors, such as stewardship activities, changes in the national economy, and changes in individual beneficiary behavior. It is not possible to assign a specific reason for a change in the improper payment rate to one or more specific causes.

⁴¹ SSA OIG, *The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2013* (A-15-13-13105), September 2013, and SSA OIG, *The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2012* (A-15-12-12141), September 2012.

Regarding the four instances of inaccurate figures, we continue to enhance our internal quality review process to ensure we provide accurate information. The report accurately notes that we updated our Improper Payments website to reflect the correct information.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

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

- Reviewed the Accountable Official's Fifth Annual Report under Executive Order 13520, *Reducing Improper Payments*, April 11, 2014.
- Reviewed applicable Federal laws.
- Reviewed applicable Office of Management and Budget guidance.
- Reviewed the Fiscal Year (FY) 2011 Stewardship Review Reports for the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs.
- Reviewed the FY 2012 Stewardship Review Reports for the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs.
- Reviewed the *Improper Payments Information Detailed Report* section of the FY 2013 Agency Financial Report.
- Requested data from the Office of Financial Policy and Integrity to support the figures presented in the Annual Report.
- Analyzed the source data to ensure the accuracy of all figures.
- Analyzed the narrative of the Annual Report to ensure compliance with requirements of the Executive Order.

We conducted our review from April through June 2014 in Baltimore, Maryland. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

Appendix B – DEFINING ERRONEOUS PAYMENTS

The following table¹ identifies the types of Social Security Administration (SSA) payments, programs affected, current reporting status, reasons for the payments, and their classification. There are two classifications.

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

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments following a cessation of eligibility due to a continuing disability review	DI ² and SSI ³	Not currently reflected as an error	When SSA is required by law to make payments during the appeals process, these payments are not erroneous.	Unavoidable
Payments made under the Goldberg-Kelly due-process Supreme Court decision	SSI	Reported as an unavoidable erroneous payment in the APP ⁴	When due process requires that SSI payments continue, although the Agency has determined that a payment reduction or termination is in order, such payments are not erroneous.	Unavoidable

¹ This table was created through dialogue with SSA, Office of the Inspector General, and the Office of Management and Budget in 2003 after the *Improper Payments Information Act of 2002*.

² Disability Insurance (DI).

³ Supplemental Security Income (SSI).

⁴ Annual Performance Plan (APP).

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments made incorrectly because of program design	SSI	Reported as an unavoidable erroneous payment in the APP	The law requires that SSI payments be made on the first of the month based on projected income for that particular month. Changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Because SSA cannot prevent the overpayment, this situation should not be reflected in the Agency's erroneous payment rate.	Unavoidable
Payments issued after death	OASI, ⁵ DI, and SSI	Not currently reflected as an error ⁶	Dollars released after death (either electronically or in the form of a paper check) that are reclaimed by the Department of the Treasury or returned unendorsed should not be reflected in the Agency's erroneous payment rate. Conversely, payments made after death that are improperly cashed or withdrawn, and are subject to overpayment recovery, should be reported.	Unavoidable except for fraud or misuse
Non-receipt of payment	OASI, DI, and SSI	Not currently reflected as an error	Duplicate payments issued in accordance with the Robinson-Reif Court decision are unavoidable and should not be reflected in the Agency's reports on erroneous payments. The only exception is duplicate payments incorrectly sent to abusers.	Unavoidable except for fraud or misuse
Payments based on medical eligibility	DI and SSI	Not currently reflected as an error	Payments are not erroneous if they are the result of a medical improvement review standard or a situation where the beneficiary would have been ineligible had the law permitted retroactive ineligibility.	Should not be included in the erroneous payment estimate

⁵ Old-Age and Survivors Insurance (OASI).

⁶ Per the Office of Quality Review, these payments can be recorded as erroneous if not returned timely per the stewardship review protocol.

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments made for Title II beneficiaries based on earnings estimates	DI and OASI	Not currently reflected as an error	When program design requires that the Agency make payments based on estimated earnings, these payments should not be considered erroneous.	Unavoidable
Undetected error	OASI, DI, and SSI	Not currently reported as an error	The Agency should not reflect undetected errors in its erroneous payment rate unless it has evidence that a specific type of erroneous payment was made.	Should not be included in the erroneous payment estimate
Duplicate payments to attorneys, vendors, and employees	Administrative Expense	Not currently reported as an error	Agency systems do not capture when the overpayment occurs; however, this type of error does not meet the reporting threshold.	Avoidable

Appendix C – DISCREPANCIES IN THE ANNUAL REPORT

We reviewed the Social Security Administration (SSA) *Accountable Official’s Annual Report Executive Order 13520, Reducing Improper Payments, April 2014*, to ensure the information reported was accurately stated. During our review, we noted the following discrepancies:

Table C-1: Discrepancies in the SSA’s Annual Report Issued in April 2014¹

Location in the Annual Report	Discrepancy Explanation ²
Page 3 – Stewardship Reviews	<p>SSA reported it selected 1,768 Old-Age, Survivors and Disability Insurance (OASDI) cases for stewardship reviews in Fiscal Year (FY) 2012. Supporting documentation showed 1,785 cases.</p> <p>We verified that the Agency updated the FY 2012 OASDI cases on its Improper Payments Website.³</p>
Pages 17 through 19 – Tables: FY 2014-FY 2016 SSI – Supplemental Measures and Targets	<p>SSA reported the error amount for overpayments due to unreported wages as \$618.5 million in FY 2012. Supporting documentation showed \$616 million. In addition, SSA reported this error amount was 18.3 percent of all overpayment deficiency dollars. Supporting documentation showed 18.2 percent.</p> <p>We verified that the Agency updated the amounts on its Improper Payments Website.⁴</p>
Page 29 – Table: Improper Payments Reporting Requirements (Error Rates for FY 2012)	<p>SSA reported the administrative/limitation on administrative expenses overpayment error rate as 0.03 percent. Supporting documentation showed 0.07 percent.</p> <p>We verified that the Agency updated the amount on its Improper Payments Website.⁵</p>

¹ SSA, *Accountable Official’s Annual Report Executive Order 13520, Reducing Improper Payments, April 2014*.

² We informed SSA of these discrepancies during our review and the Agency stated that it would correct the errors in the April 2014 Annual Report. SSA corrected the amounts on the Agency’s Improper Payments Website.

³ <http://www.ssa.gov/improperpayments>.

⁴ Id.

⁵ Id.

Appendix D – MAJOR CONTRIBUTORS

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