
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**STATUS OF TITLE II
INSTALLMENT AGREEMENTS**

September 2008

A-02-08-18074

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

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.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: September 5, 2008

Refer To:

To: The Commissioner

From: Inspector General

Subject: Status of Title II Installment Agreements (A-02-08-18074)

OBJECTIVE

Our objective was to determine the effectiveness of the Social Security Administration's (SSA) efforts to collect Title II overpayments from individuals who agreed, but failed, to honor an installment agreement.

BACKGROUND

Individuals are considered overpaid when they receive benefits in excess of the amount to which they are entitled. With few exceptions, overpaid individuals are responsible for repaying the overpayments.¹

SSA prefers a full and immediate refund of overpayments. If a full refund is not possible, SSA has several methods of collecting an overpayment. If a benefit is payable to an overpaid individual, SSA can propose that all or part of a monthly benefit payment be withheld to repay the overpayment over time. If an overpaid individual is not due a benefit, SSA can propose repayment through adjusting the benefit payment of another individual who is receiving benefits on the same record of the overpaid person.² This is referred to as contingent liability.³ However, the contingently liable

¹ According to SSA's Program Operations Manual System (POMS), GN 02250.001 *Waiver- Title II, XVIII*, individuals may not be responsible for repaying an overpayment when the person was without fault in causing the overpayment, and recovery would either defeat the purpose of the *Social Security Act* or be against equity and good conscience. Additionally, according to POMS, GN 02215.235, *Suspension or Termination of Collection Action for Title II and Title XVI Debts*, SSA may discontinue collection efforts if the debtor cannot repay, the debtor cannot be located, or the costs of collection are expected to exceed the amount recoverable. However, the debt is still subject to future collection and may be recovered if the debtor returns to payment status or through the use of external collection sources.

² SSA, POMS, GN 02210.015 *Priority of Adjustment-Overpayment*.

³ SSA, POMS, GN 02205.005 *Contingent Liability- Overpayment Recovery Title II*.

individual has the right to request that recovery of the overpayment from his benefits be waived.

When benefit withholding is not possible and an overpaid person is unable to make a full refund in a single payment, an individual can enter into an installment agreement with SSA whereby the individual refunds the overpayment through monthly installment payments. In cases where a beneficiary makes, but later fails to honor, the installment agreement, SSA's POMS⁴ prescribes that the following outreach efforts should occur (see Appendix E for a flowchart of the process).

- The Recovery and Collection of Overpayment Process (RECOOP) sends two reminder bills 1 month apart.
- If the beneficiary has not made a payment 30 days after the second reminder bill is sent, RECOOP sends a call-in notice, advising the debtor to call the Debt Management Section in the program service center of jurisdiction.
- If there is still no response from the beneficiary 15 days later, an alert is generated for the Debt Management Section to contact the debtor by telephone.
- The Debt Management Section controls the case until the debt is resolved.

If certain criteria are met, SSA can also recover delinquent overpayments through such options as the Treasury Offset Program (TOP), which offsets any Federal payment, (that is, a tax refund due an overpaid individual) and/or Administrative Wage Garnishment (AWG), a vehicle by which the wages of a delinquent SSA debtor may be garnished. SSA may also report delinquent Title II debts to credit bureaus. SSA has an automated External Collection Operation (ECO) system that selects debtors from the Recovery of Overpayments, Accounting and Reporting System (ROAR) who are eligible for TOP, AWG and/or credit bureau reporting.

Debtors who have been sent the second reminder bill by RECOOP and meet the applicable criteria for TOP, AWG and/or credit bureau reporting are automatically selected by the ECO system. If SSA has a valid address, it sends a debtor selected by the ECO system a notice stating SSA's intent to refer their debt for TOP, AWG and/or credit bureau reporting. The notice also explains the individual's due process rights.⁵ If all the conditions for TOP, AWG, and/or credit bureau reporting still exist at the end of a 60-day due process period, recovery via TOP or AWG, or credit bureau reporting should be pursued.

⁴ SSA, POMS, SM 00610.735 *Installment Agreements*.

⁵ Debtors are advised of their rights to request a waiver or a review of SSA's records of the debt. Additionally they are given information about the specific recovery method for which they are eligible.

To meet our objective, we obtained a data extract from one segment of the Master Beneficiary Record (MBR)⁶ for individuals with an open installment agreement as of December 31, 2006. From this data set, we isolated individuals with an overpayment balance of \$20,000 or more who had not made any of the agreed-upon installment payments from January 1 through March 15, 2007. For the purposes of this review, we considered these installment agreements to be delinquent. There were 163 individuals in the MBR segment with combined overpayments totaling approximately \$6.1 million who met the selection criteria. Of these, we sampled 50 individuals to determine whether SSA took the appropriate steps to collect the delinquent amounts. Additional details of our Scope and Methodology are in Appendix B. Appendix C further details our Sampling Methodology and Results.

RESULTS OF REVIEW

The effectiveness of SSA's efforts to collect overpayments related to delinquent Title II installment agreements can be improved. While SSA had procedures in place to contact delinquent debtors, it did not follow the procedures in six of the cases we reviewed. Also, SSA did not pursue other recovery methods available, for example, TOP and AWG, for all eligible cases.

For three of the six cases mentioned above, SSA failed to both follow its outreach procedures and pursue TOP or AWG.⁷ As a result, SSA lost the opportunity to collect \$95,465 from these three individuals. Estimating these results to the total population, we estimate SSA failed to both follow its procedures and refer cases for TOP and/or AWG for 200 individuals with combined overpayments of \$6,224,320. For the remaining three cases, although SSA did not follow its outreach procedures, the cases were automatically selected by the ECO system and referred for TOP.

For four additional individuals with combined overpayments of \$140,290, SSA did not pursue TOP or AWG⁸ even after it fully followed its outreach procedures and the individual debtors remained delinquent. Estimating these results to the total population, we estimate SSA failed to refer 260 individuals with combined overpayments of \$9,146,920 for TOP and/or AWG after its outreach procedures proved unsuccessful.

Because SSA did not refer the seven cases noted above for TOP and/or AWG, we estimate it missed the opportunity to collect about \$15.4 million from individuals who failed to honor their installment agreements.

⁶ One segment of the MBR represents 5 percent of the total population, that is, 1/20.

⁷ In one case, TOP and AWG were applicable; in another case, only TOP was applicable; and in the third case, neither TOP nor AWG were applicable.

⁸ In two of the cases both TOP and AWG were applicable but not pursued. In the other two cases, only TOP was applicable.

SOCIAL SECURITY ADMINISTRATION COLLECTION PROCEDURES

While SSA followed its collection procedures for 44 cases, its efforts were only successful in getting 1 individual to restart her installment payments. The remaining 43 individuals did not resume installment payments.⁹ We also found that SSA did not follow its collection procedures for 6 of the 50 individuals who failed to honor their installment agreements. Specifically, three of the individuals in our review were not sent reminder bills, as required. Sending reminder bills is the first step in the RECOOP process, and it prompts subsequent collection procedures. Accordingly, these three individuals also did not receive call-in notices, and SSA did not contact these debtors by telephone. SSA did not send one other debtor a call-in notice or contact the debtor by telephone and did not attempt telephone contact with two additional debtors.

In some cases, SSA stopped attempting to contact debtors without following all the prescribed outreach procedures, but did not document a reason for the decision. In other cases, SSA did not take a required action even though a diary had been established in the RECOOP system to alert employees that a certain action was necessary.

OTHER OVERPAYMENT RECOVERY METHODS

When delinquent debtors fail to honor their installment agreements after they have been contacted by SSA, their cases should be referred for TOP and AWG, when applicable. Also, an individual's SSA-related debt can be posted to the individual's credit record through credit bureau reporting; however, this method does not generate payments. SSA can use all three of these methods on the same case, if appropriate.

SSA had some success when these other recovery methods were used. As of March 15, 2008, the Agency had recovered \$77,845 through TOP from 21 of the 50 debtors, with combined overpayments of \$652,067. It also recovered \$12,941 through AWG from 2 of the 50 debtors, who had combined overpayments of \$127,383. See the chart on the next page for specific details.

⁹ We found that 1 of the 50 individuals in our sample was not in default of their agreement. The debtor made five remittances totaling \$90 in the period November 2006 through March 2007. Because of an exception in the ROAR system, the remittances were not credited by that system until manual inputs were made in April and July 2007. The lack of proper credits in the ROAR system made it appear as if payments were not made, which is why this installment agreement was included in our sample.

Eligibility of Debtor ¹⁰	TOP Number of Debtors	Amount Recovered via TOP	AWG Number of Debtors	Amount Recovered via AWG
Eligible and referred				
Active payments being made	0	\$0	2	\$12,941
Some payments made, but not currently being made	21	\$77,845	0	\$0
No payments made	17	\$0	6	\$0
Eligible but not referred	4	\$0	5	\$0
Ineligible	8	\$0	37	\$0
Totals	50	\$77,845	50	\$12,941

As the chart above indicates, we found that some debtors appeared to be eligible for TOP or AWG, but they were not referred by the ECO system, which selects debts for these recovery methods. Some of these debtors were not referred because the ECO system selects cases for TOP and AWG on a debtor basis, rather than a debt, or overpayment basis. While the debt we reviewed for these individuals met the TOP and/or AWG eligibility criteria, it was not referred since other debts on the individuals' records did not meet the criteria. The same condition existed for referrals to credit bureaus.

We also found that some debtors were not selected for TOP, AWG or credit bureau reporting because they were not sent a second, required reminder bill. The ECO system will only select debtors for these programs after a second reminder bill is sent notifying the debtor their installment payment is due. Additionally, one debtor was not referred for AWG since his earnings were from a Government employer. Another debtor was not referred since the ROAR showed a hearing was pending, though it appears that SSA did not determine the outcome of the hearing and its impact on debt collection. The criteria for TOP, AWG and credit bureau reporting and more detailed information on the cases that were not referred to these programs are discussed below.

Treasury Offset Program

Debtors must meet certain criteria to be eligible for TOP. For example, the debtor's overpayment must be less than 10 years old, have been established after the debtor attained age 18 and not have been referred to the Department of Justice.¹¹ Also, the debtor must be in terminated status on the MBR and not deceased.

¹⁰ We reviewed MBRs as of March 15, 2008 to determine whether SSA referred debtors to TOP and/or AWG and recovery amounts.

¹¹ SSA, POMS, SM 00610.040 *External Collection Operation*.

We determined that 8 of the 50 delinquent debtors did not meet the criteria and were ineligible for TOP. Of the remaining 42 eligible cases, 38 were referred for TOP. Four cases that should have been referred for TOP were not and are discussed below.

- One debtor with an installment agreement never made a remittance payment for a debt that met the criteria for TOP. The ECO system did not select the overpayment for TOP referral since another debt on the debtor's record did not meet the selection criteria. The debtor had another debt recorded in SSA's systems that was considered open, even though it had been collected. Although a second reminder bill was not required for this debt since it was recovered, the fact that it was not sent prevented the ECO system from selecting the other debt for TOP. The ECO system will only select debtors for TOP after a second reminder bill is sent on all open overpayments.
- Two debtors were not referred for TOP because of the existence of additional overpayments¹² not covered by the installment agreement precluded selection.
- One debtor was not referred for TOP because the ROAR indicated the debtor requested a hearing. A diary, that is a reminder in SSA's systems to take an action on a certain date, was established in RECOOP to check the status of the hearing. However, the diary expired, and it appeared no action was taken to determine the status of the hearing and its impact on the collection of the overpayment.

Additionally, two debtors were previously referred for TOP but were no longer subject to it at the time of our review. Each debtor had multiple overpayments, and TOP activity ceased when some of the overpayments became over 10 years old. The TOP action stopped even though most of their overpayment balances were incurred less than 10 years ago. By determining the entire overpayment balances for these two debtors ineligible for TOP, SSA missed the opportunity to collect \$81,284, the balance of debts established less than 10 years ago.

Administrative Wage Garnishment

According to POMS,¹³ debtors must meet all TOP criteria to be eligible for AWG except that the total debt must be at least \$200. Also, the debtor cannot be entitled to Medicare or be an active participant in SSA's Ticket to Work program, and the debtor must be regularly employed by a State or local government or private employer.

¹² The additional overpayments that precluded ECO selection were Special Payment Amount (SPA) overpayments, which are recorded on the MBR, but don't have corresponding ROAR events. Since the ECO system selects debtors from the ROAR system, debts without a ROAR event are not selected by the ECO system. The overpayments we reviewed were recorded separately on the MBR and had corresponding ROAR events, but the additional SPA overpayments on their records made the individuals ineligible for ECO selection.

¹³ SSA, POMS, SM 00610.040 *External Collection Operation*.

Military and Federal pay is not subject to AWG. Instead, Federal Salary Offset (FSO) is used to withhold pay from Federal or Military employees who have a delinquent overpayment.¹⁴

Eight of the 50 debtors were referred for AWG. As of March 2008, two of these debtors' overpayments were being repaid through AWG. Six of the referrals did not result in collections because of debtor protest or termination of employment. We identified an additional five debtors who met the criteria but were not referred for AWG for the following reasons.

- A debtor with an overpayment balance of \$30,622 and 2006 earnings of \$46,339 was not referred for AWG since ROAR events on his record, which were closed, were over 10 years old. However, his record contained an open ROAR event for the \$30,622 overpayment, which was established in April 2001 (less than 10 years ago). According to SSA staff in the Office of Retirement and Survivors Insurance Systems, even though the balance of the overpayment that was over 10 years old was \$0, the date the overpayment was established would be used when determining whether this debtor met the criteria for AWG.
- One debtor, who had 2006 earnings of \$47,240, was not referred for AWG because the existence of an additional overpayment not covered by the installment agreement precluded selection.
- One debtor with an overpayment balance of \$27,339 and 2006 earnings of \$31,235 was not referred for AWG even though he had been selected for TOP.¹⁵ Although the debtor had been billed for the full amount of the debt before making an installment agreement, no bills were sent after the agreement was made. Accordingly, this debtor was not sent a second reminder bill. The ECO system requires the second reminder bill be sent before AWG selection. As of July 2008, the overpayment is 10 years old and is no longer eligible for AWG.
- A debtor with a \$24,838 overpayment was not referred for AWG even though he had almost \$80,000 in earnings in 2006. The debtor's earnings were recorded as Medicare Qualified Government Employment (MQGE) earnings. MQGE wages are wages from a Federal, State or local government.¹⁶ Federal wages are excluded from AWG and are instead subject to FSO. SSA staff reported that ECO does not select any MQGE wages for AWG to prevent Federal wages from being selected

¹⁴ SSA, POMS GN 02201.040 *Collection of Title II/ Title XVI Overpayments by AWG*.

¹⁵ Although SSA did not refer this individual for AWG, he was selected for TOP. We therefore did not include this individual in our estimation of eligible cases that were not referred for other collection methods.

¹⁶ SSA, POMS RS 01401.010 *Medicare Qualified Government Employment Wages*.

since it cannot distinguish State and local government MQGE wages from Federal MQGE wages. In this case, the debtor's employer was a school district, a local government entity, and the debtor was eligible for AWG.¹⁷

- One debtor, who had 2006 earnings of \$32,929, was not referred for AWG because of an outstanding hearing request. A diary was established in RECOOP to check for the status of the hearing. However, the diary expired and no action was taken to determine the result of the hearing and its impact on the collection of the overpayment.

Credit Bureau

To qualify for credit bureau referral, debts (or overpayments) must meet the criteria established for TOP, and the debt must be delinquent for less than 6 years and 6 months.¹⁸

Of the 50 cases, 25 were referred to credit bureaus; 3 additional cases were eligible for such referrals. SSA did not refer the three cases for the following reasons.

- Two debtors were not referred because of the existence of an additional overpayment not covered by the installment agreement precluded selection.
- One debtor was not referred because a second required reminder bill was not sent for a prior debt.

PROJECTED RESULTS

For each of the 50 cases we reviewed, SSA should have attempted to contact the delinquent debtors to have them honor their installment agreements. If SSA's efforts proved unsuccessful, it should have referred the cases for TOP and/or AWG, as applicable. The possible route of each case was different since each could be eligible for both TOP and AWG; eligible for one, but not the other; or ineligible for both.

We identified seven cases where SSA did not follow its outreach procedures and failed to refer the cases for TOP or AWG, as applicable, or it did follow its procedures and failed to refer the cases for TOP or AWG. In all of these cases, the lack of the referral for TOP or AWG prevented the Agency from collecting overpayments eligible for collection. We estimated that SSA missed the opportunity to collect about \$15.4 million owed to it by such individuals. The details of these seven cases are discussed below.

¹⁷ Although SSA did not refer this individual for AWG, he was selected for TOP. We therefore did not include this individual in our estimation of eligible cases that were not referred for other collection methods.

¹⁸ SSA, POMS, SM 00610.040 *External Collection Operation*.

- For 3 of the 50 cases we reviewed, SSA failed to follow its outreach procedures and pursue TOP or AWG. As a result, SSA lost the opportunity to collect \$95,465 from these three individuals. Estimating these results to the total population, we estimate SSA failed to follow its procedures and refer cases for TOP and AWG for 200 individuals with combined overpayments of about \$6.22 million.
- For four individuals with combined overpayments of \$140,290, SSA followed its outreach procedures but did not pursue TOP or AWG when its outreach efforts failed. Estimating these results to the total population, we estimate SSA failed to refer 260 individuals with combined overpayments of about \$9.15 million for TOP and/or AWG after its outreach procedures proved unsuccessful. (Please see Appendix D for a description of our estimated results.)

CONCLUSION AND RECOMMENDATIONS

We found that TOP and AWG were effective tools for collecting outstanding debt from delinquent debtors but were not pursued for all eligible debtors for a number of reasons. Some debtors were not referred for TOP or AWG since the ECO system determined eligibility for these programs on a debtor basis and excludes all debts for individuals with multiple debts if any of the debts do not meet the selection criteria. We also found that some debtors were not selected for other recovery methods because they were not sent a second required reminder bill, had MQGE wages on their records and/or had a hearing pending on the ROAR and SSA failed to follow up to determine the outcome of the hearing. Accordingly, we recommend SSA:

1. Ensure eligibility for TOP, AWG and credit bureau referral is determined on a debt basis, rather than a debtor basis.
2. Ensure all debtors are sent second reminder bills, when appropriate.
3. Ensure eligible debtors with earnings from State or local governments are selected for AWG.
4. Complete hearing related diaries to determine the result of the hearing and its impact on the collection of the overpayment.

AGENCY COMMENTS AND OIG RESPONSE

SSA agreed with all of our recommendations. See Appendix F for the text of SSA's comments.



Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Sampling Methodology and Results

[APPENDIX D](#) – Schedule of Estimated Cases

[APPENDIX E](#) – Flowchart of Collection Process

[APPENDIX F](#) – Agency Comments

[APPENDIX G](#) – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

AWG	Administrative Wage Garnishment
ECO	External Collection Operation
FSO	Federal Salary Offset
GN	General
MQGE	Medicare Qualified Government Employment
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
ORSIS	Office of Retirement and Survivors Insurance Systems
POMS	Program Operations Manual System
RECOOP	Recovery and Collection of Overpayment Process
ROAR	Recovery of Overpayments, Accounting and Reporting
RS	Retirement and Survivors Insurance
SM	Systems and Methods
SPA	Special Payment Amount
SSA	Social Security Administration
TOP	Treasury Offset Program

Scope and Methodology

Our objective was to determine the effectiveness of the Social Security Administration's (SSA) efforts to collect Title II overpayments from individuals who agreed to, but failed to honor, an installment agreement. To meet our objective, we took the following steps.

- We reviewed applicable Federal law, regulation and SSA policies and procedures regarding the collection of Title II overpayments.
- We discussed the use of Recovery of Overpayments, Accounting and Reporting (ROAR) transaction code 35 with staff in the Division of Title II Payments and Accounting, within SSA's Office of Retirement and Survivors Insurance Systems (ORSIS).
- We obtained a data extract from one segment of the Master Beneficiary Record of individuals with an open installment agreement as of March 15, 2007. We determined which of the individuals were in default of the agreement by selecting only those individuals that had made an agreement December 31, 2006 or earlier but had not made a remittance in the 3-month period January through March 2007.

We focused our review on individuals with overpayment balances of \$20,000 or more. To limit our review to only those individuals who agreed to make regular monthly installment amounts, we excluded individuals with transaction code 35 shown on the ROAR with the full overpayment amount, and had not had transaction code 35 shown with a smaller installment amount. We determined that 163 individuals in the segment met our selection criteria. The combined overpayment balance for these individuals was about \$6.1 million.

From the 163 debtors, we selected a random sample of 50 to determine whether the procedures described in SSA's Program Operations Manual System, Systems and Methods 00610.735, *Installment Agreements*, were followed. We also determined whether other methods of recovery, such as the Treasury Offset Program, Administrative Wage Garnishment, and reporting to credit bureaus, were applicable and used. Lastly, we determined whether installment agreements were active and/or if the debtors were still in default as of March 15, 2008, 1 year later.

The entity audited was ORSIS, under the Deputy Commissioner for Systems. ORSIS staff concurred with our overall audit methodology and confirmed our case review results.

We determined the data used in this report were sufficiently reliable given the audit objective and intended use of the data. Based on the tests described in Appendix C, Sampling Methodology and Results, we determined that any data limitations were minor in the context of this assignment and the use of these data would not lead to an incorrect or unintentional message.

We performed our audit fieldwork in the New York Audit Division from January through April 2008. Our audit was performed in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sampling Methodology and Results

We obtained a data extract from one segment of the Social Security Administration's (SSA) Master Beneficiary Record¹ (MBR) of beneficiaries² who had an overpayment balance greater than \$0 and a Recovery of Overpayments, Accounting and Reporting (ROAR) event status code showing that an installment agreement was in effect. The data extract contained the dates and amounts of all agreements and remittances made for each of the ROAR events through March 15, 2007.

We refined the initial population selected to highlight individuals who were in default of an installment agreement. To do so, we selected only those individuals who had made an agreement as of December 31, 2006 or earlier, but had not made a remittance in the 3-month period January through March 2007. We further refined our population to individuals with a large overpayment. We identified 338 debtors who were not making agreed-upon installment payments with overpayment balances of \$20,000 or more.

In reviewing the 338 debtors, we choose to eliminate those who appeared to have installment agreements that would be fully paid in 1 payment per SSA's record. To do so, we eliminated installment agreements input in ROAR for the full overpayment amount.³ We used IDEA to perform this screening. We then reviewed the MBR and Debt Management System queries for the remaining debtors that had an installment agreement for a large dollar amount to eliminate typographical errors, such as an input of an agreement equal to the overpayment, but a digit had been dropped, or to identify instances when an agreement amount was input equal to the overpayment amount, but the balance had changed. We also reviewed individual queries for debtors with an installment amount not evenly divisible by \$5 to verify that an agreement had been made. We identified 163 debtors with a combined overpayment balance of about \$6.1 million as of March 2007 that were not making monthly installment payments as agreed to, to repay an overpayment of \$20,000 or more.

¹ The MBR is divided into 20 segments for processing and updating. The segments are determined by the last two digits of the Social Security number. Each segment represents 5 percent of all records. We randomly selected segment 14 and received data from that segment.

² Beneficiaries with an open installment agreement are in suspended or terminated status. They are not currently receiving monthly payments.

³ Installment Agreements are shown on the ROAR with a transaction code of 35. We were advised by staff in SSA's Debt Management Analysis Branch that SSA staff also use ROAR transaction code 35 with the full amount of the overpayment to load a case in the Recovery and Collection of Overpayment Process system.

We selected a random sample of 50 of the 163 debtors for review. We obtained and analyzed MBRs, Debt Management System remarks queries, Recovery and Collection of Overpayment Process offline queries and notices from the Online Retrieval System to determine whether the procedures described in Program Operations Manual System, Systems and Methods 00610.735, *Installment Agreements*, were followed. For each of the sampled debtors, we also reviewed External Collection Operation information in the collection query appended to the MBR to determine whether other methods of recovery, such as the Treasury Offset Program (TOP), Administrative Wage Garnishment (AWG), and reporting to credit bureaus, were applicable and used. The following tables provide the details of our sample results, statistical projections, and estimates.

Table 1- Population and Sample Size

Description	Number of Debtors
Population Size (Data extract from 1 segment)	163
Sample Size	50
Combined Overpayment Balance for Population	\$6,078,222
Combined Overpayment Balance for Sample	\$1,892,187

Table 2- SSA Failed to Follow Collection Procedures and Pursue Other Recovery Methods

Description	Number of Debtors	Overpayment Balances
Sample Results	3	\$95,465
Point Estimate	10	\$311,216
Projection- Lower Limit	3	\$57,479
Projection- Upper Limit	22	\$564,953
Estimate for Entire MBR ⁴	200	\$6,224,320

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

Table 3- SSA Followed its Collection Procedures, But Failed to Pursue TOP and/or AWG

Description	Number of Debtors	Overpayment Balances
Sample Results	4	\$140,290
Point Estimate	13	\$457,346
Projection- Lower Limit	5	\$137,105
Projection- Upper Limit	26	\$777,588
Estimate for Entire MBR	260	\$9,146,920

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

⁴ Represents the point estimate multiplied by 20 segments.

Appendix D

Schedule of Estimated Cases

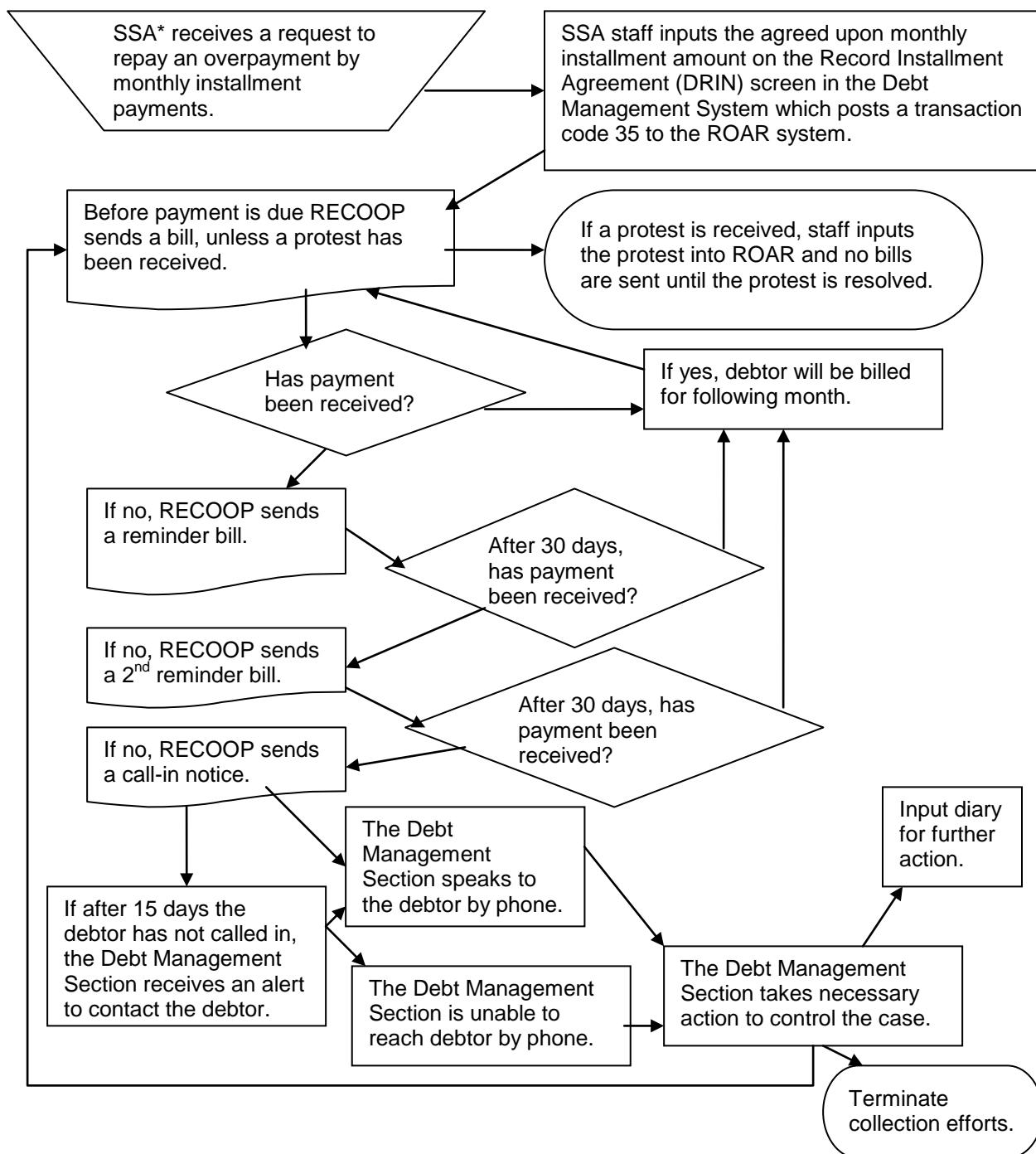
We identified seven individuals who are mentioned in different sections of this report, for whom the Social Security Administration (SSA) did not take all possible recovery actions, that is, they did not complete all of the outreach procedures described in SSA's Program Operations Manual System and/or they did not pursue Treasury Offset Program (TOP) and/or Administrative Wage Garnishment (AWG). For three of the seven, SSA neither followed its outreach procedures nor pursued all other applicable recovery methods. For the remaining four, SSA followed its outreach procedures; however, they failed to pursue all other applicable recovery methods. We then estimated the overpayment balances to the entire Master Beneficiary Record.

SSA Recovery Actions	Follow all Outreach Procedures	TOP Pursued to Greatest Extent Possible?	AWG Pursued to Greatest Extent Possible?	Overpayment Amount Not Recovered Per Individual	Potential Not Recovered in Entire Population
Neither Followed Outreach Procedures Nor Pursued All Other Applicable Recovery Methods:					
Individual 1	No	No	No	\$22,332	
Individual 2	No	No	N/A ¹	41,863	
Individual 3	No	N/A	N/A	31,270	
Subtotal				\$95,465	\$6,224,320
Followed Outreach Procedures But Did Not Pursue All Other Applicable Recovery Methods:					
Individual 4	Yes	No	No	\$30,410	
Individual 5	Yes	No	N/A	50,661	
Individual 6	Yes	No	N/A	28,597	
Individual 7	Yes	No	No	30,622	
Subtotal				\$140,290	\$9,146,920
Total				\$235,755	\$15,371,240

¹ Not applicable annotated when SSA was unable to pursue other recovery methods due to an individual's lack of earnings, disability status, and/or debt recovery statute time limitation of 10 years had expired.

Appendix E

Flowchart of Collection Process



*See Appendix A for Acronyms

Appendix F

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: August 22, 2008

Refer To: S1J-3

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

From: David V. Foster /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Status of Title II Installment Agreements" (A-02-08-18074)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our response to the report findings and recommendations are attached.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "STATUS OF TITLE II INSTALLMENT AGREEMENTS" (A-02-08-18074)

Thank you for the opportunity to review and comment on the draft report. Our responses to the specific recommendations are provided below.

Recommendation 1

Ensure eligibility for Treasury Offset Program (TOP), Administrative Wage Garnishment (AWG) and credit bureau referral is determined on a debt basis, rather than a debtor basis.

Response

We agree that reprogramming the system would align the system with the current policies in Program Operations Manual System (POMS) GN 02201.030 and GN 02201.040, which refer to the debt, not the debtor. However, major changes to not only the External Collection Operation program, but changes to the Title II and Title XVI systems are necessary to ensure that other actions (i.e., refunds, underpayments, waivers, recomputations, and reconsiderations) are processed at the debt level. We will evaluate the cost-effectiveness of any such changes to these systems. Of course, any proposed change would have to obtain the required approval and funding as part of the Information Technology Advisory Board process.

Recommendation 2

Ensure all debtors are sent second reminder bills, when appropriate.

Response

We agree. Typically an action, such as a waiver request or a manual suspension of billing, prevents the second notice from being sent. If staff do not take action to resolve the waiver request or manually resume billing, the system will not produce the reminder bill. We will work to identify the circumstances as to why we did not generate second reminder bills in those cases identified by OIG, and we will take any necessary corrective actions.

Recommendation 3

Ensure eligible debtors with earnings from State or local governments are selected for AWG.

Response

We agree. We should select eligible debtors with earnings from State and local government, meeting all other AWG criteria, for debt recovery through the AWG process. The Internal Revenue Service classifies earnings, and if the classification is State or local government, we select them for AWG. However, if we classify earnings as Medicare Qualified Government

Employee (MQGE) wages, which could be local, State or Federal, we must exclude them from the AWG process. We will work to determine if there is a way to identify and exclude Federal wages under MQGE.

Recommendation 4

Complete hearing related diaries to determine the result of the hearing and its impact on the collection of the overpayment.

Response

We agree. We will issue a national reminder through an Administrative Message by December 1, 2008.

Appendix G

OIG Contacts and Staff Acknowledgments

OIG Contacts

Tim Nee, Director, New York Audit Division, (212) 264-5295

Victoria Abril, Audit Manager, (212) 264-0504

Acknowledgments

In addition to those named above:

Christine Hauss, Senior Program Analyst

For additional copies of this report, please visit our web site at
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The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

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