
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SUPPLEMENTAL SECURITY INCOME
RECIPIENTS WITH
UNREPORTED REAL PROPERTY**

June 2011

A-02-09-29025

AUDIT REPORT



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- 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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- Access to all information necessary for the reviews.**
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SOCIAL SECURITY

MEMORANDUM

Date: June 1, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Supplemental Security Income Recipients with Unreported Real Property
(A-02-09-29025)

OBJECTIVE

Our objective was to determine the accuracy of the Social Security Administration's (SSA) determinations of Supplemental Security Income (SSI) recipients' resources related to real property ownership.

BACKGROUND

SSI is a needs-based program, and SSA considers the applicant's resources, including real property ownership, when determining program eligibility.¹ Real property consists of land and buildings or immovable objects attached permanently to the land. Per SSA's Program Operations Manual System (POMS), some real property is excludable as a resource under the SSI program,² including the home in which an applicant or recipient resides.

SSI recipients or their representative payees must report events or changes in their resources that can affect their SSI eligibility or payment amount.³ For instance, when SSI recipients or their spouse or parent with whom they live purchase a house or receive real property as a gift or inheritance, SSA considers it as a countable resource if

¹ SSA, POMS, SI 01110.001.A (October 25, 1990) explains role of resources. SSA defines a resource as cash or other liquid assets or any real or personal property that an individual (or deemor) owns and could convert to cash to be used for his or her support and maintenance.

² SSA, POMS, SI 01110.210 (December 15, 2008) and SI 01130.000 (March 11, 2011) list exclusions, including the home the recipients live in and the land it is on; any property that has a legal restriction preventing its sale or liquidation; funds from the sale of a home if reinvested timely in a replacement home; jointly owned real property that cannot be sold without undue hardship to the other owner(s); real property that an owner has made reasonable efforts to sell, but the efforts have been unsuccessful; property essential to self-support; or resources of a blind or disabled person which are necessary to fulfill an approved plan for achieving self-support.

³ SSA, POMS, SI 02301.005.B.1 (November 5, 2007).

it is not the primary residence. SSA employees explain to recipients and representative payees these responsibilities and related penalties for failure to make timely reports.⁴ SSA also provides written explanations of reporting responsibilities.⁵

SSA staff can access the LexisNexis Risk Management Solutions database (LexisNexis)⁶ as an optional tool to obtain information about SSI applicants' or recipients' real property ownership, transfer of real property for less than fair market value, or recent sale of real property. While SSA staff cannot use the obtained information to deny or suspend benefits, they can use the information to establish a lead for further investigation.

In a July 2009 report,⁷ *Supplemental Security Income Recipients with Unreported Vehicles*, we found that the Agency would have prevented about \$551 million in improper payments had its staff used LexisNexis to identify unreported vehicle ownership. We reported that, of the individuals whose records we reviewed,⁸ at least one in four had not reported vehicles they owned to SSA. We recommended that SSA assess the costs/benefits of requiring the use of LexisNexis. In response to our recommendation, the Agency reported that it assessed the feasibility of requiring the use of LexisNexis queries but decided not to require that field offices use it, not wanting to burden limited staff resources. It also reported that experience had shown that some of the information in LexisNexis could be unreliable.

While conducting the 2009 audit, we also found that many individuals who did not disclose their vehicle ownership also did not disclose their real property ownership. To test the accuracy of SSA's determinations of individuals' allegations of real property ownership, we obtained a separate data extract of SSI recipients who reported to SSA that they did not own real property other than their primary home. The Supplemental

⁴ SSA, POMS, SI 02301.100.C.1 (April 25, 2011) discusses when to consider assessing penalties.

⁵ SSA, POMS, SI 02301.005.B (November 5, 2007) details the written explanations of reporting responsibilities SSA provides with application and redetermination forms, in some award and post-eligibility notices, in check stuffers, and in a booklet that accompanies award notices.

⁶ As of July 15, 2003, SSA provided field offices with access to LexisNexis' SmartLinx database, which allowed SSA staff to obtain resource information for SSI applicants and recipients. On September 6, 2005, LexisNexis' Risk Management Solutions database replaced LexisNexis' SmartLinx. SSA piloted the LexisNexis system in the Chicago region before expanding it to all field offices in 2003 and reported that it showed potential for error reduction and overpayment prevention. While SSA staff had access to LexisNexis at the time of our audit, SSA reported that it was conducting a study comparing information from electronic public record services to determine whether one is a more efficient method for finding undisclosed properties.

⁷ SSA OIG, *Supplemental Security Income Recipients with Unreported Vehicles* (A-02-08-28038), July 2009.

⁸ We reviewed a sample of SSI recipients who reported to SSA that they did not own a vehicle. Of the 275 sampled SSI recipients, 68 (25 percent) owned vehicles that they did not report to SSA.

Security Record (SSR) segment contained 351,027 records⁹ that met our selection criteria.¹⁰ From this population, we randomly selected a sample of 350 individuals and reviewed evidence outside SSA's records to determine the accuracy of the recipients' reports of real property ownership.

Specifically, we used LexisNexis to determine whether there was any indication these individuals owned real property beyond their primary residences. We also reviewed LexisNexis for evidence of other ineligibility issues. In total, we referred 52 cases to SSA for further development since LexisNexis indicated the recipients owned real property that was not accounted for in SSA's records. We requested that SSA determine (1) whether its prior resource determinations were accurate and (2) the amount of any improper payments assessed because of resource limitations. Refer to Appendix B for further details of our scope and methodology.

RESULTS OF REVIEW

SSA's determinations of SSI recipients' resources related to real property agreed with public property records in LexisNexis for 298 (85 percent) of the 350 records we reviewed. For the remaining 52 cases, the information in SSA's records on real property ownership disagreed with information in LexisNexis. LexisNexis data indicated that the recipients owned one or more properties that were not recorded in SSA's records. SSA reviewed these 52 cases. For 27 of the 52 cases, SSA determined that the information in LexisNexis was accurate; the recipients owned one or more real properties that they had not previously reported to the Agency.¹¹

The date of the ownership of the unreported properties and the length of time the recipients retained ownership varied. In total, the recipients owned the properties for some period within the last 14 years, although most of the properties were owned within the last 5 years. Sixteen of the 27 recipients who misreported real property ownership exceeded the resource limit for SSI eligibility and received approximately \$112,000 in improper payments when the equity value¹² of their real property was accurately included as a resource. SSA staff determined that the Agency could not recover approximately half the \$112,000 in overpayments because of its rules of administrative

⁹ These records are from one segment of the SSR. One segment of the SSR represents 5 percent of the total population of SSI recipients.

¹⁰ Our sample focused on recipients who did not report real property ownership beyond their primary residence. We believe this group of recipients would be more likely to misreport real property ownership since reporting such ownership may have affected their SSI eligibility. Since we did not sample from the entire SSI population, our results may be understated.

¹¹ Recipients or their representative payees inaccurately reported their or their spouses or parents' real property ownership to SSA, which was countable as a resource for the recipient.

¹² SSA calculates equity value by subtracting encumbrances from the property's current market value.

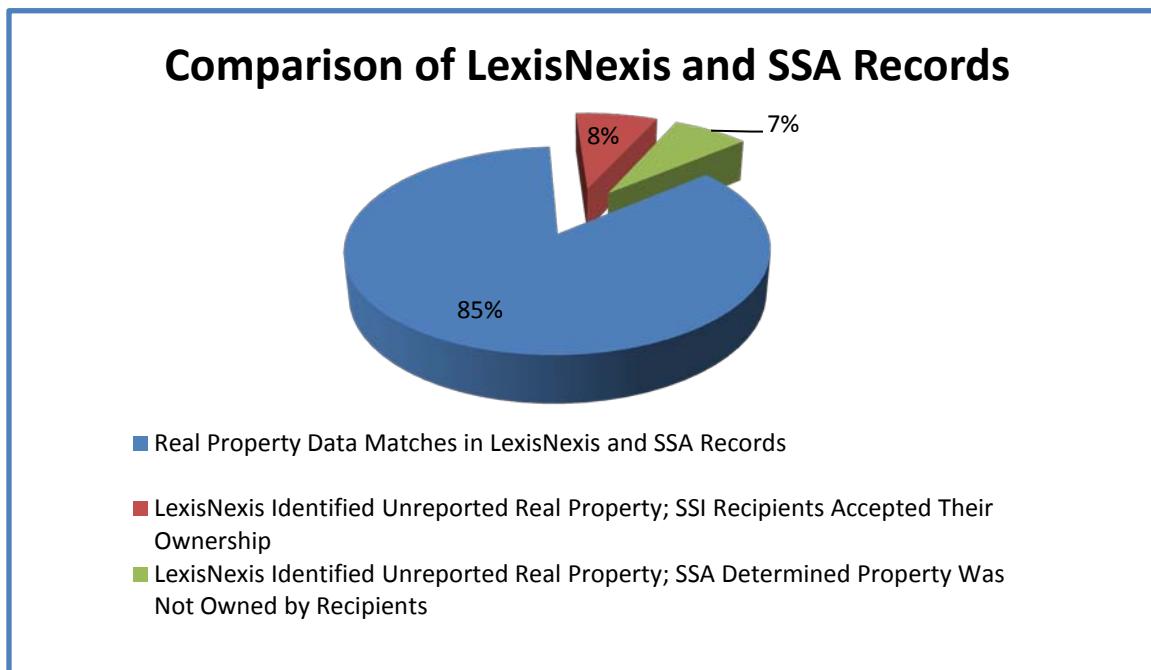
finality.¹³ Projecting our findings to the entire population, we estimate that about 541,580 recipients misreported real property ownership, and SSA improperly paid 320,940 of these recipients over \$2.2 billion because of their unreported real property.

Comparing the amount of recoverable overpayments to the additional costs incurred by SSA staff to use LexisNexis to identify unreported real properties, we concluded that the use of LexisNexis was cost-effective.

REAL PROPERTY OWNERSHIP DETERMINATIONS

SSA's determinations of SSI recipients' resources related to real property agreed with public property records in LexisNexis for 298 (85 percent) of the 350 we reviewed.

For 27 (8 percent) of the 350 recipients, SSA confirmed that SSI recipients owned previously unreported real property identified through LexisNexis. While recipients or their representative payees were responsible for accurately reporting recipients' resources and any changes that occurred, these individuals did not report to SSA their real property ownership. Of the 27 recipients who owned unreported real properties, 12 owned the properties when they applied for SSI, while 11 purchased and 4 inherited the properties after they began receiving SSI payments.



Although LexisNexis listed 1 or more properties for the remaining 25 (7 percent) of the 350 cases, SSA determined that the properties did not belong to the recipients.

¹³ SSA, POMS, SI 04070.020.A.1 (April 21, 2011) discusses administrative finality rules, under which SSA staff generally do not record SSI overpayments made more than 2 years prior unless there is a finding of "fraud" or "similar fault."

Effect of Undisclosed Real Property

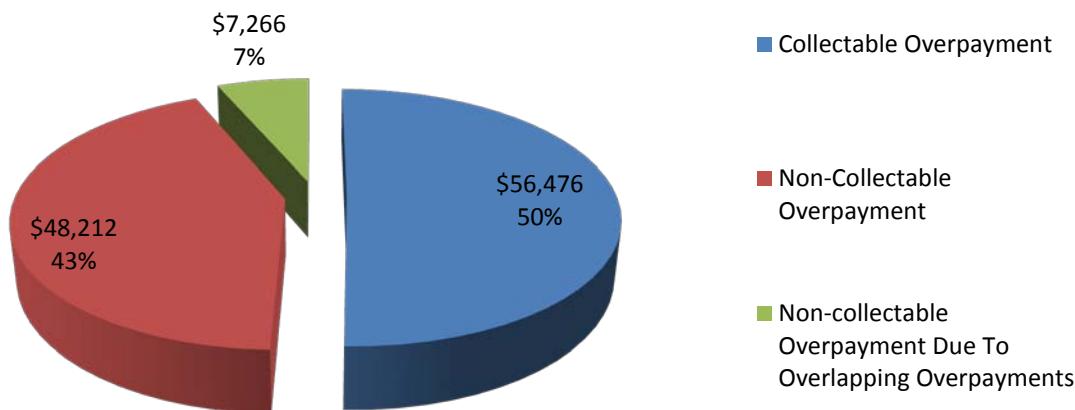
Sixteen of the 27 recipients with unreported real property improperly received \$111,953 in SSI payments because the equity values of the undisclosed real properties put them over the resource limit for SSI eligibility. The remaining 11 recipients with unreported real property did not exceed the resource limit when the equity value of the unreported properties was taken into consideration.

As indicated in the chart below, SSA determined it could collect \$56,475 of the \$111,953 from 7 of the 16 individuals improperly paid. Generally, SSA considers improper payments made within 2 years of its initial determination or decision collectable overpayments. For improper payments made more than 2 years after the initial determination or decision, SSA staff has to make a fraud or similar fault determination for an improper payment to be considered a collectable overpayment.¹⁴ To determine similar fault, SSA determined whether recipients knowingly made incorrect or incomplete statements material to the determination or knowingly concealed information material to the determination.

Of the seven recipients improperly paid, three were improperly paid within 2 years of SSA's initial determination, so the improper payments were collectable overpayments. For two of the recipients, portions of the improper payments they received were made more than 2 years after SSA's initial determination. The improper payments made to these two recipients were determined to be fully collectable, with SSA determining similar fault for the part of the improper payments made more than 2 years after its initial determination. The remaining two collectable overpayments were made 2 years after SSA's initial determination, but SSA determined similar fault in these two cases, so the improper payments were collectable overpayments.

¹⁴ Per POMS, SI 04070.010 (August 13, 2007), SSA can reopen a determination or decision for up to 2 years from the date of an initial determination if there is good cause to do so. There is good cause to reopen a determination or decision if new and material evidence was furnished, a clerical error was made, or there was an error on the face of the evidence. A determination or decision can be reopened and revised at any time upon a finding of "fraud" or "similar fault."

SSA's Determination of Overpayment Recovery



Eight of 16 improper payments were determined uncollectable since the improper payments were made more than 2 years before SSA's review of the cases. In these cases, SSA staff did not find similar fault. While SSA confirmed that the remaining recipient received an overpayment of \$7,266 because of unreported real property, it determined it would not collect this overpayment since the recipient had another overpayment for a different reason that was incurred at the same time and it had been waived.¹⁵

Ten of the 16 overpayments were issued within the last 5 years. The average overpayment period was about 1.5 years. (Refer to Appendix C for graphs and descriptions of each case and related overpayments.)

Administrative Finality

Generally, SSA staff determined that any portion of an improper payment made within the last 2 years were collectable overpayments. For the portion of improper payments made earlier than 2 years prior, SSA staff determined in some cases that the improper payments were collectable, while other SSA staff determined in other cases that the improper payments were not collectable.

Under SSA's administrative finality rules, SSA staff can reopen and revise a determination at any time upon a finding of fraud or similar fault.¹⁶ In the SSI program, similar fault is established when the following criteria are met.

¹⁵ Since SSA had already posted an overpayment for the same benefits for another reason, which ultimately led to the termination of the recipient's record before the discovery of the unreported real property, the staff could not post this overpayment.

¹⁶ Per POMS, SI 04070.020.A.2 (April 21, 2011).

- A change event is material and will create a new or additional overpayment.
- A wide discrepancy exists between the new data and the data reported.
- The SSI recipient knowingly completed an incorrect or incomplete report, concealed events or changes, or neglected to report events or changes that he/she knew or should have known would affect payments.
- The event (change in income, resources, living arrangements, etc.) can and will be verified.
- The event (change in income, resources, living arrangements, etc.) is clearly attributable to the SSI recipient.
- The case does not involve fraud.¹⁷

While no two cases are identical, SSA staff appeared to interpret the rules of administrative finality differently for similar cases. In the following example, SSA staff in the Chicago Region established similar fault in one case, and determined that a \$4,485 improper payment made more than 2 years prior to its discovery¹⁸ was collectable. However, staff in the Dallas Region did not find similar fault in a very similar case, and concluded that a \$3,055 improper payment was not collectable. The two cases shared the following characteristics.

- Both recipients owned at least two pieces of property per LexisNexis.
- Both recipients were interviewed in response to the real property information in LexisNexis.
- Both recipients acknowledged their ownership of some of the unreported properties.
- Both recipients had previously told SSA that they paid rent to live in the properties they actually owned.
- Both recipients owned real property before filing for SSI.
- Both recipients purchased another piece of real property after establishing SSI eligibility.
- Both recipients were reportedly separated from an ineligible spouse.
- Both recipients had owned one of their unreported properties for more than 10 years.
- Both recipients had unoccupied real property, making it a countable resource.

¹⁷ SSA, POMS, SI 04070.020.B.1 (April 21, 2011).

¹⁸ The claimant received \$2,448 of recoverable improper payments between July 2007 and March 2008. SSA determined similar fault for this improper payment. The recipient also received \$2,037 of recoverable improper payments between October 2009 and April 2010.

In accordance with Federal regulations, SSA should consider any physical, mental, educational, or linguistic limitations that may have existed at the time, to decide whether a determination was made with similar fault.¹⁹ Although these factors are specifically stated in the Federal regulations, SSA's related policy²⁰ does not refer to these limitations.

We do not know whether SSA staff considered any physical, mental, educational, or linguistic limitations when it made its decisions. There were no notations in the recipients' records indicating that they spoke a language other than English. Although the recipients had different disabilities (one recipient had mood disorders and the other had rheumatoid arthritis), neither of these recipients had a representative payee on record, and the summary of interviews did not indicate any concerns about communicating with the recipients when SSA staff met with them. SSA determined similar fault for the recipient with mood disorders, but not for the individual with rheumatoid arthritis.

COST-BENEFIT ANALYSIS

Costs

For 298 of the 350 cases in our sample, SSA and LexisNexis real property information agreed. It took us no longer than 10 minutes per case to query SSA and LexisNexis records and determine the real property information matched, and no further action was needed. In total, we spent 50 hours reviewing these cases.

For 52 cases, the real property information in SSA and LexisNexis records did not match. SSA staff developed these cases to determine whether the recipients owned the previously unreported properties. We asked SSA to estimate the amount of time it took to complete this work, and staff reported that it took 108 hours.

In total, SSA used an estimated 158 hours to develop 350 sample cases. We multiplied these hours by the hourly wage for the average employee who would develop these cases. Per SSA, the annual component-level cost for processing this kind of limited-issue work was \$87,707, which is about \$42 per hour.²¹ Based on this wage, we determined that the cost of using LexisNexis for the 350 cases was approximately \$6,660.

¹⁹ Conditions for reopening a determination, revised determination, decision, or revised decision are provided in 20 C.F.R. § 416.1488.

²⁰ SSA, POMS, SI 04070.020 (April 21, 2011).

²¹ The annual component-level cost per work year (\$87,707) that SSA provided equated to the annual salary of an employee who would complete the interviews plus overhead.

Benefits

SSA determined that 16 recipients were overpaid and that 7 of the overpayments, totaling more than \$56,000, were collectable. Accordingly, we estimate that it would cost the Agency \$6,660 to identify \$56,000 in collectable overpayments. In other words, the Agency would save about \$8 for every \$1 spent to query LexisNexis and develop cases when the LexisNexis information disagreed with the recipients' previously reported real properties.

Estimated Impact

It took an estimated 158 hours to use LexisNexis to develop the 350 cases in our sample, at a cost of about \$6,660. The use of LexisNexis helped identify about \$56,000 in collectable overpayments, which is approximately eight times the estimated cost. In other words, the Agency could save about \$8 for every \$1 they spend using LexisNexis for developing ownership and values of resources in either an SSI initial claim or redetermination.

SSA estimated that it would process about 2.2 million redeterminations and adjudicate about 260,000 new SSI claims in Fiscal Year (FY) 2011.²² Applying the cost estimate for LexisNexis use for our sampled cases to the total number of estimated redeterminations and new SSI claims for FY 2011, we estimate that the Agency would spend approximately \$50 million in staff time resources to use LexisNexis to develop the cases.²³ However, considering the \$8 to \$1 benefit-to-cost ratio, overpayments of \$400 million could be prevented or recovered. Thus, the total savings for FY 2011 for using LexisNexis for new SSI claims and redeterminations would be \$350 million.

Additionally, our cost-benefit analysis only takes into account discrepancies in real property ownership. As shown in our previous report, *Supplemental Security Income Recipients with Unreported Vehicles*, other unreported resources, such as automobiles, can also be identified through LexisNexis. When using LexisNexis at the time of a redetermination or new claim, SSA could also check to see whether the recipients' allegations of other resources matched information in LexisNexis.

²² The estimated number of SSI redeterminations and new claims in FY 2011 is 2,503,100. The total number of expected redeterminations for FY 2011 is 2,243,100, excluding the limited issue redeterminations. A limited-issue redetermination is a case selected for limited review by the field office due to a single issue, such as an alert resulting from a match between SSA's records and those of another agency. The number of expected new SSI claims adjudicated during FY 2011 is about 260,000.

²³ The estimate of \$50 million is for the cost of staff time to develop the cases. It does not include the potential cost increase for use of LexisNexis services. The price SSA pays for LexisNexis usage is based on SSA's level of use of the services throughout the year. An increased number of searches could result in a cost increase. Additionally, there may be associated opportunity costs due to the time needed to develop cases based on information in LexisNexis. Time spent to develop such cases would leave less time for staff to address other workloads.

We also analyzed nine of the overpayments SSA determined could not be collected. We found that SSA could have identified five of the nine overpayments within 2 years of issuing the improper payments had field office staff used LexisNexis during previously completed redeterminations. In these cases, SSA completed redeterminations after unreported real property was in the recipients' possession, but the property was not identified at the time of the redetermination. Had it been identified through LexisNexis, SSA would have been able to record a collectable overpayment. The total amount of improper payments that could have been identified if LexisNexis were used as part of the redeterminations is about \$22,690.

COMPARISON OF LEXISNEXIS AND SSA RECORDS

Real property records in LexisNexis agreed with SSA's records or were confirmed by SSA staff in 325 (93 percent) of the 350 cases in our sample. More specifically, information in LexisNexis matched the real properties reported by 298 recipients, and SSA staff confirmed that 27 recipients owned unreported real property identified through LexisNexis.

In our July 2009 report, we recommended SSA consider a wider use of LexisNexis to determine vehicle ownership. In its response to our report, SSA stated that it had found some of the information in LexisNexis to be unreliable. Therefore, it would not require that field office staff use LexisNexis. SSA also noted that it did not want to impose a burden on field office staff. While we appreciate SSA's desire to promote the efficient use of its resources, we found real property information in LexisNexis agreed with SSA's initial determination or its redetermination completed in response to our audit for a high percentage of the cases in our sample.

CONCLUSION AND RECOMMENDATIONS

SSA's determinations of SSI recipients' resources related to real property agreed with public property records in LexisNexis for 298 of the 350 cases we reviewed. For another 27 cases, SSA determined that the information in LexisNexis was accurate, and the recipients owned more real property than they previously reported to the Agency. Sixteen of these recipients were improperly paid when the value of their unreported real property was taken into account.

Executive Order 13520, *Reducing Improper Payments*,²⁴ states that the Government must make every effort to confirm that the right recipient receives the right payment for the right reason at the right time. Similarly, SSA has a strategic objective to "curb improper payments," ensuring that it pays individuals the correct amount.²⁵ To meet the

²⁴ Reducing Improper Payments, 74 Fed. Reg. 62,201 (November 25, 2009).

²⁵ SSA, *Annual Performance Plan for Fiscal Year 2011 and Revised Final Performance Plan for 2010*, February 2010, p. 37.

directive in the Executive Order and its own strategic objective, SSA needs to expand the use of tools at its disposal to combat inaccurate reporting by recipients that leads to improper payments.

In a previous report on the accuracy of SSA's determinations of SSI recipients' resources related to vehicle ownership, we found that one in four recipients and/or their spouses owned vehicles even though they reported to SSA that they did not. In that report, we estimated that about 75,720 recipients were improperly paid approximately \$551 million because of inaccuracies in SSA's records on the recipients' vehicle ownership. In this report, we estimated that about 320,940 recipients inaccurately reported to SSA over a number of years they did not own real property other than their primary residence, which led to improper payments of over \$2.2 billion.

Before granting field office staff access to LexisNexis, SSA piloted its use in the Chicago Region. When SSA concluded that the pilot study showed potential for error reduction and overpayment prevention, the Agency expanded its use to all field offices in 2003. SSA pays to have access to LexisNexis in its field offices. Given the investment that SSA has made, the benefits it identified through a pilot program, and the amount of improper payments incurred based on unreported resources, we believe it is reasonable for SSA to take steps to use this tool as effectively as possible.²⁶ Additionally, we estimate that its use is cost-effective.

Lastly, administrative finality treats improper payments made for the same reason differently based on when they were made and when they were discovered. While no two cases are identical, SSA staff appeared to interpret the rules of administrative finality differently for similar types of cases. At a time with shrinking government resources, increasing deficits, and a heightened concern for improper payments, efforts are needed to ensure the right person gets the right payment and any improper payments made are collected.

Accordingly, we recommend that SSA:

1. Assess the costs/benefits of expanded LexisNexis use in determining the accuracy of recipients' allegations of resources through a pilot study requiring the use of LexisNexis when initial SSI applications are processed and SSI redeterminations are completed.
2. Expand the use of LexisNexis if the pilot study demonstrates it is cost-beneficial to do so.

²⁶ SSA reported that it was conducting a study comparing information from electronic public record services to determine whether one was a more efficient method for finding undisclosed properties. Whichever public record service SSA ultimately decides to use in the future, we believe it is reasonable for SSA to use it as effectively as possible.

3. Update the current policy on similar fault determinations to include the limitations listed in the C.F.R. (physical, mental, educational, and linguistic), and ensure they are taken into account in determining whether a previous determination or decision was made with similar fault.
4. Train staff on the criteria of similar fault determinations to ensure improper payments made to SSI recipients with similar characteristics and circumstances are treated similarly when caused by SSI recipients not reporting their resources.

AGENCY COMMENTS AND OIG RESPONSE

SSA agreed with all our recommendations. In addition to noting its agreement, the Agency provided some technical comments on our estimated benefit of LexisNexis use. In response, we made appropriate adjustments to the text of the report to clarify our discussion on the estimated impact of LexisNexis use. The full text of the Agency's comments is included in Appendix E.



Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope, Methodology, and Sample Results

[APPENDIX C](#) – Summary of 16 Cases with Improper Payments

[APPENDIX D](#) – Summary of Cost-Benefit Analyses

[APPENDIX E](#) – Agency Comments

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

Appendix A

Acronyms

C.F.R.	Code of Federal Regulations
FY	Fiscal Year
LexisNexis	LexisNexis Risk Management Solutions Database
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record

Scope, Methodology, and Sample Results

To accomplish our objective, we:

- Reviewed the applicable section of the *Social Security Act* and other relevant legislation, as well as the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Selected 352,448 records for recipients in current pay status as of August 6, 2008 from 1 segment of the Supplemental Security Record (SSR).¹ These recipients reported to SSA that they did not own real property or have any disposal agreement, other than the home in which they resided. Subsequently, we excluded all the residents of Maine from this population since LexisNexis did not include property records from that State. Once these records were removed, 351,027 recipients remained in our population.
- Selected a random sample of 350 recipients from our population to determine real property ownership by comparing SSA's records (Modernized Supplemental Security Income Claims System, SSR, and Claims File Records Management Systems) to LexisNexis real property deed and assessment records.
- Identified 52 recipients who appeared to own (or their spouse or parent[s] owned) 1 or more real properties or other ineligibility issues based on information in LexisNexis.
- Requested that SSA's Office of Operations contact the 52 recipients (or their representative payees) who appeared to have unreported real property or other eligibility issues. We asked SSA to determine the amount of related improper payments because of the unreported real property.
- Determined which improper payments were collectable because of administrative finality rules.
- Analyzed the type of recipients with unreported real property based on the work SSA completed.

We conducted our audit in the New York Audit Division between December 2009 and December 2010. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. The entities audited were SSA's field offices under the Deputy Commissioner for Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those

¹ One segment of the SSR represents 5 percent of the total population of SSI recipients.

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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

SAMPLE RESULTS AND PROJECTIONS

Projecting our results to the population, we estimate that 541,580 recipients or their representative payees inaccurately reported their or their spouses or parents' real property ownership to SSA. We also estimate that SSA improperly paid 320,940 recipients approximately \$2.2 billion because of inaccuracies within SSA's records related to real property ownership. The results of our sample and projections are noted below.

Table 1 – Population and Sample Size

Description	Number of Beneficiaries
Population Size (extract from one segment)	351,027
Sample Size	350

Table 2 – Number of SSI Recipients with Unreported Real Property

Description	Number of Beneficiaries
Sample Results	27
Point Estimate	27,079
Projection - Lower Limit	19,313
Projection - Upper Limit	36,787
Estimate for Entire SSR ²	541,580

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

² Represents the point estimate multiplied by 20 segments.

Table 3 – Number of Improperly Paid SSI Recipients

Description	Number of Beneficiaries
Sample Results – Number of Recipients Improperly Paid	16
Point Estimate - Number of Recipients Improperly Paid	16,047
Projection - Lower Limit	10,141
Projection - Upper Limit	24,078
Estimate for Entire SSR ³	320,940

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

Table 4 – SSI Improper Payments Resulting from Unreported Real Property

Description	Improper Payments Due to Real Property Ownership
Sample Results - Dollars Improperly Paid	\$111,953
Point Estimate - Dollars Improperly Paid	\$112,281,783
Projection - Lower Limit	\$50,145,118
Projection - Upper Limit	\$174,418,447
Estimate for Entire SSR ⁴	\$2,245,635,660

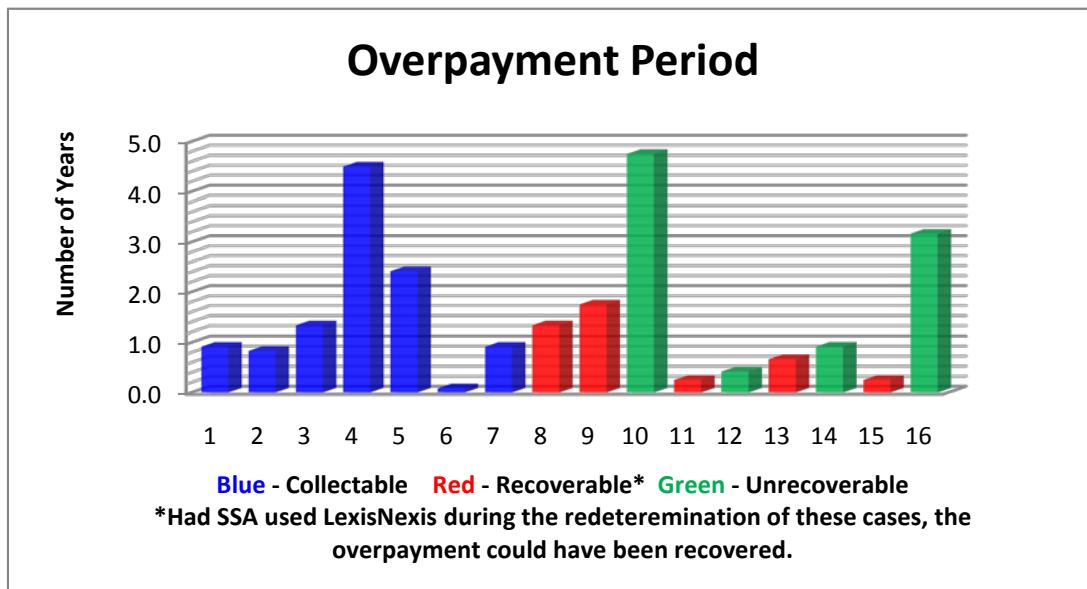
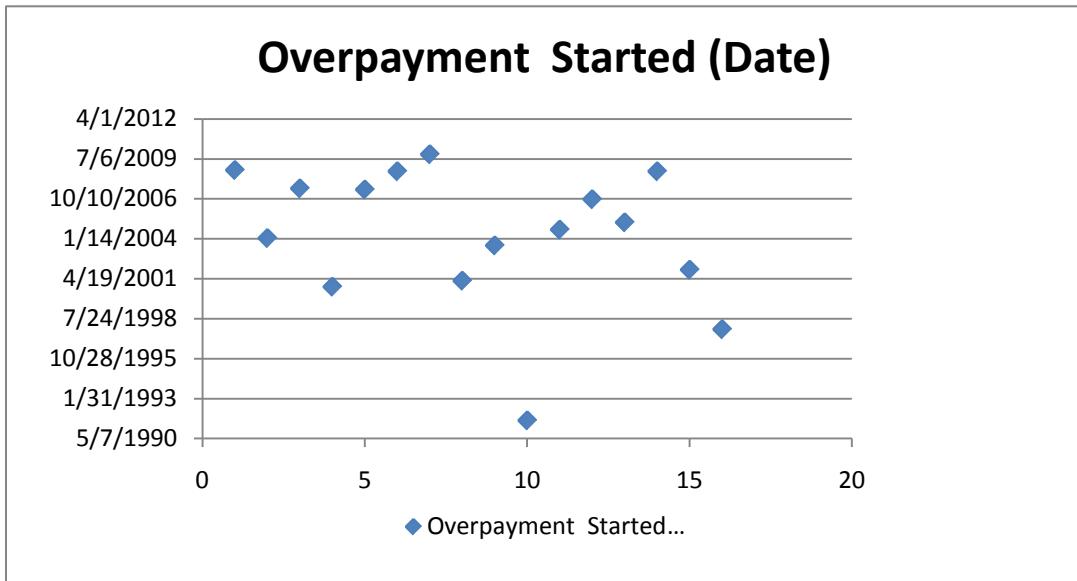
Note: All statistical projections are at the 90-percent confidence level.

³ Id.

⁴ Id.

Summary of 16 Cases with Improper Payments

The following graphs show when each improper payment started and how long the recipients were overpaid. The average overpayment period is about 1.5 years. Descriptions of each case with improper payments follow the graphs.



Recoverable Improper Payments – the Social Security Administration (SSA) determined that the improper payments in the following seven cases were collectable because they were made within the last 2 years or similar fault was found.¹

- Case 1 – The claimant received \$7,303 of recoverable improper payments from October 2008 to August 2009. The recipient was improperly paid beginning in the month of receipt of the unreported property (October 2008). The value of the property exceeded the resource limit and was a countable resource until the recipient and her mother moved into the property on August 31, 2009.
- Case 2 – The claimant received \$3,460 of recoverable improper payments from February 2004 to November 2004. The recipient was improperly paid because a parent had unreported ownership of non-residential property. The property was a countable resource until the parent who owned the property left the household.
- Case 3 – The claimant received \$2,448 of recoverable improper payments between July 2007 and March 2008 because her spouse's unreported real property became countable when they lived together for 2 months in 2007 after reportedly separating. The recipient also received \$2,037 of recoverable improper payments between October 2009 and April 2010. Another unreported property that she solely owned was unoccupied and was a countable resource during that period.
- Case 4 – The claimant received \$26,358 of recoverable improper payments from October 2000 to March 2005. The recipient was improperly paid because the mother, who is also collecting benefits for herself and two other eligible children, had sole ownership of two unreported land contracts before establishing Supplemental Security Income (SSI) eligibility until they were sold in 2002 and 2005, respectively.
- Case 5 – The claimant received \$1,869 of recoverable improper payments between June and August 2007 since she owned one unreported property but lived elsewhere. She also received \$10,459 of recoverable improper payments from August 2008 to September 2010 because her husband owned a lot he had rented to a niece.
- Case 6 – The claimant received \$212 of a recoverable improper payment issued in September 2008 when he received unreported property from a relative. The recipient was improperly paid because receipt of the income was never reported to SSA, although real property is countable income in the month of its receipt.
- Case 7 – The claimant received \$2,328 of a recoverable improper payment between November 2009 and September 2010. The recipient was improperly paid because he owned two properties, one of which was unoccupied and a countable resource during that time.

¹ SSA, POMS, SI 04070.020.A.2 (April 21, 2011).

Unrecoverable Improper Payments – SSA determined that the improper payments in the following nine cases were not collectable because they were made more than 2 years ago and fraud or similar fault did not occur.²

- Case 8 – The claimant received \$8,532 of unrecoverable improper payments from March 2001 to June 2002. The recipient was improperly paid because the father was determined to be in the household, and the net proceeds from the sale of this unreported property would become a countable resource until the recipient becomes 18 years old. The field office conducted a redetermination in September 2002, reviewing the prior 2 years of living arrangement, resource, and income changes. Had SSA staff used LexisNexis at the time of the redetermination, they could have developed the real property sale transactions and a receipt of the net proceeds by the father. As a result, SSA could have recovered all the improper payments of \$8,532 made between March 2001 and June 2002.
- Case 9 – The claimant received \$11,844 of unrecoverable improper payments from August 2003 to April 2005. The recipient was improperly paid because she had unreported ownership of non-residential property after attaining SSI eligibility. SSA initiated a redetermination in December 2005 and cleared it in April 2006. Had the field office staff had used LexisNexis, it could have identified the unreported real property the recipient owned after attaining SSI eligibility. While developing the property ownership, SSA could have recovered improper payments of \$9,636 made between December 2003 and April 2005.
- Case 10 - The claimant received \$12,935 of unrecoverable improper payments from August 1991 to April 1996. The recipient was ineligible for SSI because the value of one of the two real properties owned by a spouse was a countable resource at least until they separated in April 1996. SSA conducted a redetermination for this case in October 1996. Since LexisNexis was not available until July 2003, SSA could not have recovered any of these improper payments due to LexisNexis use.
- Case 11 - The claimant received \$593 of unrecoverable improper payments between September and November 2004. The recipient was improperly paid for 3 months because her mother maintained controlling interest in unreported real property while residing in another primary residence during that time period. The field office conducted a redetermination in March 2005. During this review, field office staff did not identify any real property because the recipient had not informed SSA about the mother's property ownership. Had the field office staff used LexisNexis, it could have identified the property that we identified during this audit and could have detected the overpayments between September and November 2004. As a result, SSA could have collected \$593 in overpayments that staff will not record now due to administrative finality.
- Case 12 - The claimant received unrecoverable improper payments of \$3,055 from October 2006 to February 2007. The recipient was improperly paid because one of

² SSA, POMS, SI 04070.020.A.2 (April 21, 2011).

the two properties she and/or her spouse owned was left vacant and became a countable resource making her ineligible during that time. No redeterminations were conducted between October 2002 and November 2009, so there was no opportunity to identify the real property ownership until we asked SSA to review this recipient for this audit.

- Case 13 – The claimant received \$3,088 in unrecoverable improper payments from March to October 2005. The recipient was improperly paid because she and her spouse had an unreported mobile home and lot, which were countable resources until they occupied the mobile home on October 15, 2005. SSA conducted a redetermination in June 2005. Had the field office staff used LexisNexis, it would have identified the real property. As a result, the Agency could have collected the \$1,544 overpaid between March and June 2005 and prevented additional overpayments of \$1,544 from July to October 2005.
- Case 14 – The claimant received \$7,266 of unrecoverable improper payments between September 2008 and July 2009. SSA determined the recipient was improperly paid because the property was countable when he did not occupy it during that time. However, SSA cannot post this improper payment because the record is now terminated and it has an improper payment posted for the same period for another reason. SSA posted the overpayment reason in the remarks field. Had the recipient reported his real property ownership, SSA would not have issued any improper payment during that time. SSA had not conducted a redetermination since January 2005 and did not identify the property ownership until we referred this case to SSA for this audit. Although Agency staff determined that there had been overpayments issued because of unreported real property ownership, SSA's systems do not allow for collection of this overpayment because it already waived another overpayment issued during the same period for a different reason.
- Case 15 – The claimant received unrecoverable improper payments of \$840 between December 2001 and February 2002. The recipient's father owned unreported property other than their primary home and did not occupy the property during this time. SSA conducted a redetermination in May 2003. Had the office used LexisNexis at the time of this redetermination, SSA staff could have identified the real property and recovered the \$840 overpayment.
- Case 16 – The claimant received unrecoverable improper payments of \$7,322 between November 1997 and December 2000. The recipient was improperly paid because SSA did not identify the real property and document the resource before her death. SSA conducted a redetermination in February 2002. Since LexisNexis was not available until July 2003, SSA could not have identified the real property or recovered the overpayment due to LexisNexis use.

Summary of Cost-Benefit Analyses

We believe it is reasonable for the Social Security Administration (SSA) to take steps to use LexisNexis as effectively as possible because its use has been determined to be cost-effective. In our July 2009 report, *Supplemental Security Income Recipients with Unreported Vehicles*, we recommended that SSA assess the costs and benefits of requiring the use of LexisNexis. The Agency reported to us that it assessed the use of LexisNexis queries but decided not to require that its field offices use LexisNexis, not wanting to impose a burden on the limited staff resources.

To determine whether use of LexisNexis is cost-effective, we compared the amount of collectable overpayments from our sample population to the cost of SSA staff time. SSA provided us the estimated average processing time for staff to develop ownership and values of resources for the 52 cases that we had forwarded. All the cases we sent to SSA involved developing ownership and values of resources, although the degrees of work varied. According to SSA's analyses¹ of this estimated processing time, the steps involved in the process include receiving an alert, discussing the alert with the individual, requesting information, and processing the alert in the system.

With the estimated average processing time of 124 minutes per case, we multiplied the estimate by the 52 cases we had forwarded to SSA, which gave us about 108 hours as the total time spent by SSA staff. Then, we included the time that we spent for the 298 remaining sample cases, for which we did not identify any property disagreeing with SSA's records. Inputting a Social Security number or name to search real property in LexisNexis is a simple process, and a result is typically provided within 1 minute. However, considering that SSA staff needs to access the system through designated users in each field office, which may require additional time, the time we estimated for each of the 298 sample cases was 10 minutes. Applying this processing time to the 298 cases yielded an estimate of about 50 hours of staff time.

Combining the two numbers above, we estimated the processing time for developing ownership and values of resources for the sample of 350 cases to be 158 hours. Based on the component level cost per work year² SSA provided, we were able to determine that the salary plus overhead of an employee who would complete the interview was \$42.17 per hour.

¹ After adding the estimated time for all the steps required, SSA looked to other comparable workloads. It identified limited issues (particularly those involving the 5B diary) as being very similar in terms of steps and development. Then it looked at Agency data on processing time, and found the average limited issue time is 124 minutes.

² The annual component level cost per work year (\$87,707) that SSA provided equated to the annual salary of an employee who would complete the interviews plus overhead.

Therefore, the cost of 158 hours of staff time for using LexisNexis for the 350 cases would be about \$6,660, which is only about one-eighth of the amount of collectable overpayments (about \$56,000). In other words, the Agency could save about \$8 for every \$1 it spends using LexisNexis for developing ownership and values of resources in either a Supplemental Security Income (SSI) initial claim or redetermination.

Considering the total number of estimated redeterminations and new SSI claims for Fiscal Year (FY) 2011 is about 2.5 million,³ we estimated that the Agency would spend \$47,650,871 in staff time resources to use LexisNexis to develop the cases. However, considering the \$8.48 to \$1 ratio, estimated overpayments of \$404,079,386 could be prevented or recovered. Thus, the total estimated savings for FY 2011 for using LexisNexis for these claims and redeterminations would be \$356 million.⁴

³ The estimated number of SSI redeterminations and new claim applications during FY 2011 is 2,503,100. The total number of expected redeterminations for FY 2011 is 2,243,100, excluding limited issue redeterminations. A limited issue redetermination is a case selected for limited review by the field office due to a single issue, such as an alert resulting from a match between SSA's records and those of another agency. The number of expected new SSI claims applications adjudicated during FY 2011 is about 260,000, the difference between 7,560,000 (FY 2010 estimate) and 7,820,000 (FY 2011 estimate).

⁴ The actual savings may be reduced by an increased cost for LexisNexis use. The final price is determined based on SSA's level of use of the services throughout the year. Thus, an increased number of searches could result in a cost increase.

Appendix E

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: May 10, 2011

Refer To: S1J-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Supplemental Security Income Recipients with Unreported Real Property" (A-02-09-29025)--INFORMATION

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

Please let me know if we can be of further assistance. You may direct staff inquiries to Frances Cord at (410) 966-5787.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH UNREPORTED REAL PROPERTY” (A-02-09-29025)

Thank you for the opportunity to review the subject report. We offer the following comment and responses to your recommendations.

COMMENT

Page 9, 2nd paragraph under Benefits

SSA estimated that it would process about 2.2 million redeterminations and adjudicate about 260,000 new SSI claims in FY 2011. If SSA were to use LexisNexis for all these cases, we estimate that the staff cost to the Agency would be about \$50 million. Applying the \$8 to \$1 savings to costs ratio, SSA could prevent and/or recover overpayments of approximately \$400 million if it used LexisNexis on all redeterminations and new SSI claims. Thus, SSA could save about \$350 million annually.

Comment

Your projected savings are overstated. You incorrectly assume that LexisNexis would be useful for every one of the 2.2 million redeterminations and 260,000 new claims that we process, and that we would not identify additional property through any other element of the redetermination (or initial determination) process. When we conduct redeterminations, we consider recipients' income, resources, and living arrangements. Using that information, we often identify recipients who are ineligible for benefits or are overpaid. We use similar information and other tools to make determinations on new claims. For example, we utilize an electronic Access to Financial Institutions process to verify bank account balances and to identify undisclosed bank accounts. We also utilize LexisNexis, but have no need to use it in every case.

RECOMMENDATIONS

Recommendation 1

Assess the costs/benefits of expanded LexisNexis use in determining the accuracy of recipients' allegations of resources through a pilot study requiring the use of LexisNexis when initial SSI applications are processed and SSI redeterminations are complete.

Response

We agree. We are currently conducting the type of study you recommend. We will assess the effectiveness of LexisNexis and other electronic public records services, calculate costs and benefits, then determine whether we should expand their use.

Recommendation 2

Expand the use of LexisNexis if the pilot study demonstrates it is cost-beneficial to do so.

Response

We agree. See our response to recommendation one.

Recommendation 3

Update the current policy on similar fault determinations to include the limitations listed in the Code of Federal Regulations (CFR) (physical, mental, educational, and linguistic) and ensure they are taken into account in determining whether a previous determination or decision was made with similar fault.

Response

We agree. We will update our policy.

Recommendation 4

Train staff on the criteria of similar fault determinations to ensure improper payments made to SSI recipients with similar characteristics and circumstances are treated similarly when caused by SSI recipients not reporting their resources.

Response

We agree. After we update our policy, we will issue revised procedures and remind employees to adhere to the rules for determining similar fault.

As you note on page seven, however, no two cases are identical. Determining similar fault can be difficult and frequently involves an assessment of whether a person knowingly conceals information.

Appendix F

OIG Contacts and Staff Acknowledgments

OIG Contacts

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

Christine Hauss, Audit Manager, (212) 264-5826

Acknowledgments

In addition to those named above:

James Kim, Senior Analyst

Vincent Huang, Program Analyst

Alla Resman, IT Specialist

Brennan Kraje, Statistician

For additional copies of this report, please visit our Website at
www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-02-09-29025.

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