

Audit Report

Old-Age, Survivors and Disability
Insurance Beneficiaries with
Overpayments on Suspended and
Terminated Records

MEMORANDUM

Date: September 25, 2019 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Old-Age, Survivors and Disability Insurance Beneficiaries with Overpayments on Suspended and Terminated Records (A-07-18-50317)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether overpayments were improperly posted under Social Security numbers where the Social Security Administration suspended or terminated Old-Age, Survivors and Disability Insurance benefits.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.



Gail S. Ennis

Attachment

Old-Age, Survivors and Disability Insurance Beneficiaries with Overpayments on Suspended and Terminated Records

A-07-18-50317



September 2019

Office of Audit Report Summary

Objective

To determine whether overpayments were improperly posted under Social Security numbers (SSN) where the Social Security Administration (SSA) suspended or terminated Old-Age, Survivors and Disability Insurance (OASDI) benefits.

Background

The OASDI program provides benefits to wage earners and their family members who meet certain criteria in the event the wage earner retires, becomes disabled, or dies. In some cases, SSA may suspend or terminate benefits paid to a beneficiary under one SSN and begin paying benefits under another SSN.

If a beneficiary has an overpayment under an SSN where the Agency suspended or terminated benefits, an SSA employee must manually transfer the overpayment to the SSN under which the beneficiary is receiving benefits so SSA can recover the overpayment via benefit withholding.

The Re-entitled Beneficiaries process identifies certain overpayments under SSNs where SSA suspended or terminated benefits and alerts employees to transfer them to SSNs where SSA is paying benefits, when appropriate. If SSA does not transfer an overpayment, it may be permanently written off, and SSA cannot recover it because of the 10-year bar to adjustment.

Findings

Of the 100 beneficiaries we reviewed, 58 had overpayments totaling \$262,097 that were improperly posted under SSNs where SSA previously suspended or terminated benefits. Per policy, SSA should have transferred these overpayments to the SSNs under which the beneficiaries were currently receiving benefits and initiated recovery via benefit withholding. Of the 58 beneficiaries,

- 17 had overpayments that met the criteria for the Re-entitled Beneficiaries process to identify them, but it had not and
- 41 had overpayments that did not meet the criteria for the Re-entitled Beneficiaries process to identify them and required manual actions by employees, which did not occur.

SSA can recover \$181,975 from 23 beneficiaries, but it cannot recover \$80,122 from 35 beneficiaries because of the 10-year bar to adjustment. Accordingly, we project SSA can recover approximately \$17.6 million from more than 2,200 beneficiaries, but it cannot recover more than \$7.7 million from approximately 3,400 beneficiaries.

Recommendations

We recommended that SSA complete planned updates to the Re-entitled Beneficiaries process and establish a process to identify overpayments it currently does not detect to ensure the Agency recovers all overpayments that should be transferred to SSNs where SSA is paying benefits, as required by policy. SSA agreed with our recommendations.

Agency Actions Resulting from the Audit

In November 2018, we notified the Agency of the 58 beneficiaries whose overpayments improperly existed under SSNs where it suspended or terminated OASDI benefits. In March 2019, SSA informed us, and we confirmed, that SSA had either taken or initiated proper corrective actions. As a result, we are not recommending further actions for these 58 beneficiaries.

TABLE OF CONTENTS

Objective.....	1
Background	1
Results of Review	2
Conclusions.....	4
Recommendations.....	4
Agency Comments.....	4
Agency Actions Resulting from the Audit.....	5
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Agency Comments.....	C-1

ABBREVIATIONS

C.F.R.	Code of Federal Regulations
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration
SSN	Social Security Number
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether overpayments were improperly posted under Social Security numbers (SSN) where the Social Security Administration (SSA) suspended or terminated Old-Age, Survivors and Disability Insurance (OASDI) benefits.

BACKGROUND

The OASDI program provides benefits to wage earners and their family members who meet certain criteria in the event the wage earner retires, becomes disabled, or dies.¹ In some cases, SSA may suspend or terminate benefits paid to a beneficiary under one SSN and begin paying benefits under another SSN. For example, an individual may initially receive benefits based on a deceased spouse's earnings and subsequently become eligible for a higher benefit based on his/her own earnings. Per policy, SSA should terminate benefit payments under the deceased spouse's SSN and begin paying benefits under the beneficiary's SSN.²

Further, if a beneficiary has an overpayment posted under the SSN where the Agency suspended or terminated benefits, SSA policy instructs employees to transfer the overpayment to the SSN under which the beneficiary is currently receiving benefits when certain circumstances apply.³ SSA's systems cannot automatically transfer the overpayment, so an SSA employee must manually process the transfer. Once SSA transfers the overpayment, it can recover the overpayment via benefit withholding.⁴

¹ *Social Security Act*, 42 U.S.C. §§ 402, 423 (govinfo.gov 2017).

² *Social Security Act*, 42 U.S.C. § 402(e)(1)(D) (govinfo.gov 2017); 20 C.F.R. § 404.337 (b)(1) (govinfo.gov 2018); SSA, *POMS*, RS 00207.002, D.1 (February 6, 2018).

³ SSA should not transfer an overpayment to the SSN where the beneficiary is receiving benefits if (1) it is a duplicate of an overpayment on that SSN; (2) SSA previously transferred the overpayment but did not delete it from the SSN where SSA suspended or terminated benefits; (3) the beneficiary requested the Agency reconsider the facts that led to the overpayment; or (4) the beneficiary requested the Agency waive recovery of the overpayment because the beneficiary was not at fault, does not have the money to repay, or repaying would be against equity and good conscience. In addition, if SSA is determining whether an overpayment occurred because of fraud, it may not transfer an overpayment.

⁴ *Social Security Act*, 42 U.S.C. § 404(a)(1)(A) (govinfo.gov 2017); 20 C.F.R. § 404.502 (a) (govinfo.gov 2018); SSA, *POMS*, GN 02210.001 (October 12, 2018) and GN 02210.015 (February 13, 2012).

If SSA does not transfer overpayments to the SSN under which the beneficiary is receiving benefits and initiate benefit withholding, it may not be able to recover the overpayments because of the 10-year bar to adjustment, which restricts SSA from recovering overpayments that

- accrued longer than 10 years ago,⁵
- SSA could have recovered via benefit withholding, and
- SSA was not recovering via benefit withholding.⁶

When all these conditions are met, SSA waives recovery of the overpayment. Thus, the overpayment is permanently written off and SSA cannot recover it by any means.⁷

From 1 segment of the Master Beneficiary Record and Recovery of Overpayments, Accounting and Reporting system,⁸ we identified 483 adult OASDI beneficiaries who

- had at least 1 overpayment with an outstanding balance of at least \$299 under an SSN where their benefits were suspended or terminated, as of March 1, 2018,⁹ and
- were receiving benefits under a different SSN as of December 20, 2017.

From this population, we reviewed a random sample of 100 beneficiaries. See Appendix A for our detailed scope and methodology.

RESULTS OF REVIEW

Of the 100 beneficiaries we reviewed, 58 had overpayments that were improperly posted under SSNs where SSA had suspended or terminated benefits. Per policy, SSA should have transferred these overpayments to the SSNs under which the beneficiaries were currently receiving benefits and initiated recovery via benefit withholding.¹⁰

⁵ The date an overpayment accrues is the latter of the date (1) SSA makes an initial overpayment determination, (2) an administrative appeal proceeding or a court having jurisdiction affirms the overpayment, (3) SSA's last recovery via benefit withholding, (4) a former beneficiary defaults on a repayment agreement, or (5) SSA attempts recovery using Treasury Offset Program External Collection. SSA, *POMS*, GN 02210.003, A.2 (August 16, 2010).

⁶ 45 C.F.R. § 30.12(a)(4) (govinfo.gov 2017); SSA, *POMS*, GN 02210.003, A.1 (August 16, 2010).

⁷ SSA, *POMS*, GN 02210.003, C (August 16, 2010) and GN 02215.235, B.4 (May 1, 2013).

⁸ SSA uses the Master Beneficiary Record to maintain information regarding payments made to all beneficiaries receiving benefits under a worker's SSN. The Recovery of Overpayments, Accounting and Reporting system controls the recovery of OASDI overpayments.

⁹ To set our threshold, we used the average \$298 cost to recover an Old-Age and Survivors Insurance overpayment as reported in SSA's Cost Analysis System for April 2018. See Footnote 2 in Appendix B.

¹⁰ *Social Security Act*, 42 U.S.C. § 404(a)(1)(A) (govinfo.gov 2017); 20 C.F.R. § 404.502 (a) (govinfo.gov 2018); SSA, *POMS*, GN 02210.001 (October 12, 2018) and GN 02210.015 (February 13, 2012).

Of the 58 beneficiaries, 17 had overpayments that met the criteria for the Re-entitled Beneficiaries process to identify them, but it did not. This automated process identifies certain overpayments on SSNs where SSA suspended or terminated benefits and alerts employees to transfer those overpayments to SSNs where SSA is paying benefits, when appropriate. We brought this issue to SSA's attention. In response, SSA stated, "The current process was not examining all [overpayments]. This is likely the reason that most of the cases . . . did not create an alert [via the Re-entitled Beneficiaries process]." In addition, SSA stated it will be ". . . using these [OIG] samples . . . to make sure the proper alerts are created [by the Re-entitled Beneficiaries process]." In September 2019, the Agency informed us that it had initiated updates to refine the Re-entitled Beneficiaries process.¹¹

Overpayments for the remaining 41 beneficiaries did not meet the criteria for the Re-entitled Beneficiaries process to identify them. For 34 beneficiaries, the process did not identify the overpayments because SSA had not ceased collection efforts on them. The Re-entitled Beneficiaries process only identifies overpayments for which SSA has ceased collection efforts, meaning it is no longer actively attempting to recover the overpayments.¹² The Re-entitled Beneficiaries process did not identify the remaining seven beneficiaries' overpayments for other reasons.¹³ Therefore, for all 41 beneficiaries, an SSA employee would have had to identify and manually transfer the overpayments to the SSNs where it was paying benefits to initiate collection via benefit withholding.¹⁴ However, SSA employees had not transferred these overpayments.

For example, in September 2016, SSA established an overpayment for a beneficiary who was receiving widower's benefits under his deceased spouse's SSN. In January 2017, SSA terminated his widower's benefits and began paying him benefits under his own SSN. SSA was not recovering the overpayment; however, it had not ceased collection efforts in its system. Therefore, the Re-entitled Beneficiaries process did not create an alert for an employee to transfer this overpayment to the record where his benefits were being paid. Accordingly, per SSA policy, an SSA employee should have identified and manually transferred the overpayment from the deceased spouse's SSN to the beneficiary's own SSN to initiate recovery but had not.

¹¹ In addition to updating the Re-entitled Beneficiaries process, SSA is developing the Debt Management Product. According to SSA, the Product will include a function to address transferring overpayments from suspended or terminated SSNs to SSNs where beneficiaries are receiving benefits. Based on the Agency's planned timeline, it intends to implement the new debt management system by Fiscal Year 2021.

¹² SSA ceases collection action when overpayments meet such conditions as the overpaid person cannot or will not repay or SSA cannot locate the overpaid person. SSA, *POMS*, GN 02215.235, B.1 & C.2 (May 1, 2013).

¹³ Three beneficiaries' overpayments were not identified because the beneficiaries were not receiving benefits under their own SSN, thus the Re-entitled Beneficiaries process could not identify them; three had discrepancies between the prior SSN and the SSN on which they were currently receiving benefits that prevented the process from identifying them; and one had a type of overpayment that the Re-entitled Beneficiaries process did not include in the criteria for identification.

¹⁴ SSA, *POMS*, GN 01010.008, B.2.1 (April 21, 2016); GN 01010.040 (August 29, 2014); GN 02201.003 (October 18, 2017); GN 02201.009 (July 25, 2018); GN 02210.006, A (October 12, 2018).

As a result, SSA was missing the opportunity to recover the overpayment via benefit withholding.

The 58 beneficiaries had overpayments totaling \$262,097 that were improperly posted under SSNs where SSA suspended or terminated their OASDI benefits. SSA can recover \$181,975 from 23 beneficiaries, but it cannot recover \$80,122 from 35 beneficiaries because of the 10-year bar to adjustment. Accordingly, we project SSA can recover approximately \$17.6 million from more than 2,200 beneficiaries, but it cannot recover more than \$7.7 million from approximately 3,400 beneficiaries. We notified the Agency of our findings for the 58 beneficiaries. SSA informed us it had taken or initiated corrective action on these overpayments.

CONCLUSIONS

For 58 of the 100 beneficiaries we reviewed, SSA did not identify overpayments that improperly existed under SSNs where it suspended or terminated benefits. As a result, SSA was missing the opportunity to recover the overpayments via benefit withholding. For some of these overpayments, an unknown limitation in the Re-entitled Beneficiaries process prevented the process from identifying the overpayments and alerting employees for appropriate actions. However, SSA relied on employees to identify and manually transfer the majority of these overpayments to the SSNs where it was paying benefits and initiate benefit withholding, but they did not.

RECOMMENDATIONS

We recommend SSA:

1. Complete the planned updates to the Re-entitled Beneficiaries process and verify they will alert employees to all overpayments that should be transferred to SSNs where SSA is paying benefits, as required by policy.
2. Establish a process to identify overpayments that exist on suspended or terminated SSNs that the Re-entitled Beneficiaries process does not detect, so the Agency can transfer and recover them via benefit withholding.

AGENCY COMMENTS

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

AGENCY ACTIONS RESULTING FROM THE AUDIT

In November 2018, we notified the Agency of the 58 beneficiaries whose overpayments improperly existed under SSNs where it suspended or terminated OASDI benefits. In March 2019, SSA informed us it had taken corrective action on these beneficiaries' overpayments. We confirmed that SSA had either taken or initiated proper corrective actions and, as a result, we are not recommending further actions for these 58 beneficiaries.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal laws, regulations, and sections of the Social Security Administration’s (SSA) Program Operations Manual System (POMS) related to recovery of Old-Age, Survivors and Disability Insurance (OASDI) overpayments.
- Obtained a data extract from 1 segment of the Master Beneficiary Record (MBR) and Recovery of Overpayments, Accounting and Reporting (ROAR) system of 790 adult OASDI beneficiaries. As of March 1, 2018, these beneficiaries had at least 1 overpayment with an outstanding balance greater than \$0 on a Social Security number (SSN) where SSA had suspended or terminated benefits but who were receiving benefits on another SSN as of December 20, 2017.¹ To create our sampling frame, we identified 483 adult OASDI beneficiaries from the data extract who had at least 1 overpayment with an outstanding balance of at least \$299.²
- Reviewed a random sample of 100 OASDI beneficiaries from our sampling frame to determine whether, as of the date of our review, SSA had identified overpayments that were improperly posted under an SSN where it suspended or terminated OASDI benefits. To do so, we reviewed the MBR, ROAR, Alphident, and Claims File User Interface.³
- For each beneficiary for whom we determined SSA did not identify overpayments that were improperly posted under an SSN where it suspended or terminated benefits, we reviewed each overpayment under the prior SSN to determine when the overpayment accrued.⁴ If the accrual date was within 10 years of the date of this review, we determined the overpayment was still recoverable. If the accrual date was not within 10 years of the date of our review, we determined SSA should apply the 10-year bar to adjustment and not recover the overpayment.⁵

¹ One segment of the MBR represents 5 percent of the total population of OASDI beneficiaries. SSA uses the ROAR system to track its recovery efforts of OASDI benefit overpayments. One segment of the ROAR represents 20 percent of the total population of OASDI beneficiaries. For purposes of this review, we selected the SSNs that corresponded with one segment of the MBR.

² See Appendix B for a detailed discussion on how we established the sampling frame.

³ See Appendix B for our sampling methodology.

⁴ An overpayment accrues at the latest of the following events: (1) SSA makes an initial overpayment determination, (2) an administrative appeal proceeding or a court having jurisdiction affirms the overpayment, (3) SSA’s last recovery via benefit withholding, a former beneficiary defaults on a repayment agreement, or (4) SSA attempts recovery using Treasury Offset Program External Collection. SSA, *POMS*, GN 02210.003, A.2 (August 16, 2010).

⁵ SSA waives recovery of an overpayment when it applies the 10-year bar. SSA, *POMS*, GN 02210.003, C (August 16, 2010). When SSA waives an overpayment, the overpayment is permanently written off, and SSA cannot recover it by any means. SSA, *POMS*, GN 02215.235, B.4 (May 1, 2013).

We conducted our review between October 2018 and July 2019 in Kansas City, Missouri. We determined the data used for this audit were sufficiently reliable to meet our objective. The principal entity audited was the Office of Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

Sampling

We obtained a data file from Segment 2 of the Master Beneficiary Record (MBR) and Recovery of Overpayments, Accounting and Reporting (ROAR) system.¹ From this file, we identified 790 Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries. These beneficiaries

- had at least 1 overpayment with an outstanding balance greater than \$0, as of March 1, 2018, on a Social Security number (SSN) where SSA had suspended or terminated benefits and
- were receiving benefits on another SSN as of December 20, 2017.

To create our sampling frame, we identified the average cost to recover an Old-Age and Survivors Insurance overpayment and included only beneficiaries with overpayment balances greater than the average cost to recover. As a result, we sampled from the 483 OASDI beneficiaries who had at least 1 overpayment with outstanding balances ranging from \$299 and \$171,295.² From our sampling frame, we selected a random sample of 100 OASDI beneficiaries (see Table B–1).

Table B–1: Sampling Frame and Sample Size

Sampling Frame	Beneficiaries
Sampling Frame Size (Identified in 1 Segment of the MBR)	483
Sample Size	100
Total Population (Sampling Frame Size Times 20 Segments)	9,660

¹ The MBR is divided into 20 segments, and the ROAR is divided into 5 segments. Our audit population came from one MBR segment. Therefore, we project to the population by multiplying the findings from our review by 20.

² For our report *Cost Benefit Analysis of Processing Low-dollar Overpayments, A-07-14-14065* (July 2015), we recommended that SSA re-evaluate its process for recovering overpayments where the value of the overpayment is less than what SSA spends to recover the overpayment to ensure it expends resources on activities that result in the greatest return on investment. Therefore, to set the threshold for our sampling frame, we used the average cost to recover an Old-Age and Survivors Insurance overpayment, \$298, as reported in SSA's Cost Analysis System for April 2018, because its average cost was higher than the cost to recover an SSA Disability Insurance overpayment.

Sample Errors and Projections

Of the 100 beneficiaries we reviewed, 58 had overpayments that were posted under suspended or terminated SSNs that SSA should have been recovering via benefit withholding under the SSNs where it was paying benefits. Of those 58 beneficiaries, 23 had overpayments totaling \$181,975 that SSA could still recover from SSNs where SSA was paying benefits. Therefore, we projected there were 2,220 beneficiaries from whom SSA could still recover overpayments totaling \$17,578,780 (see Table B–2).

Table B–2: Number of Beneficiaries and Amount of Overpayments SSA Can Recover Under SSNs Where It Was Paying Benefits

Description	Number of Beneficiaries	Amount of Overpayments
Sample Results (for 1 segment)	23	\$181,975
Projected Quantity (for 1 segment)	111	\$878,939
Projection – Lower Limit	82	\$527,606
Projection – Upper Limit	145	\$1,230,272
Population Estimate (Projected Quantity x 20 segments)	2,220	\$17,578,780

Of those 58 beneficiaries, the remaining 35 had overpayments totaling \$80,122 that SSA cannot recover because SSA did not timely establish the overpayment under SSNs where it was paying benefits. Therefore, we projected there were 3,380 beneficiaries from whom SSA cannot recover overpayments totaling \$7,739,780 based on the 10-year bar to adjustment because SSA did not timely transfer the overpayments (see Table B–3).

Table B–3: Number of Beneficiaries and Amount Unrecoverable Because SSA Cannot Recover Due to the 10-year Bar to Adjustment

Description	Number of Beneficiaries	Amount of Overpayments
Sample Results (for 1 segment)	35	\$80,122
Projected Quantity (for 1 segment)	169	\$386,989
Projection – Lower Limit	135	\$250,819
Projection – Upper Limit	206	\$523,159
Population Estimate (Projected Quantity x 20 segments)	3,380	\$7,739,780

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: September 23, 2019 Refer To: S1J-3

To: Gail S. Ennis
Inspector General

Stephanie Hall

From: Stephanie Hall
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report “Old-Age, Survivors and Disability Insurance Beneficiaries with Overpayments on Suspended and Terminated Records” (A-07-18-50317) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with both recommendations. We have already initiated updates to refine the Re-entitled Beneficiaries process. In addition, we are engaged in a multi-year initiative to develop a comprehensive debt management system. That system will include functionality to transfer overpayments from suspended or terminated benefit records to records where beneficiaries are actively receiving benefits.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

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