

*Audit Report*

Controls over “Special Payment  
Amount” Overpayments for Title II  
Beneficiaries

A-09-13-23098 / May 2015



# Office of the Inspector General

## SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

Date: May 18, 2015

## Refer To:

To: The Commissioner

**From:** Inspector General

**Subject:** Controls over “Special Payment Amount” Overpayments for Title II Beneficiaries (A-09-13-23098)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration properly identified and controlled overpayments recorded as “special payment amounts” on the Master Beneficiary Record.

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

Beth S. O'Leary 1-

Patrick P. O'Carroll, Jr.

## Attachment

# Controls over “Special Payment Amount” Overpayments for Title II Beneficiaries

## A-09-13-23098



May 2015

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) properly identified and controlled overpayments recorded as “special payment amounts” (SPA) on the Master Beneficiary Record (MBR).

### Background

An overpayment is the total amount a beneficiary received for any period that exceeded the total amount SSA should have paid. After SSA makes an overpayment determination, the overpaid amount is a debt owed to the Government. In some instances, SSA temporarily records an overpayment as an SPA on the MBR until an SSA employee validates the overpayment.

If SSA employees determine the SPA is an overpayment, they should remove it from the MBR and record it in SSA’s Recovery of Overpayments, Accounting and Reporting (ROAR) system. SSA’s automated system generates an alert when it establishes an SPA overpayment on the MBR. SSA employees must review and resolve these alerts. SSA also conducts an annual clean-up project to ensure SSA employees remove SPA overpayments from the MBR and establish them in ROAR.

For our current review, we identified 23,645 beneficiaries with SPA overpayments totaling about \$115.3 million.

### Findings

Since our prior audit, SSA had reduced the number of overpaid beneficiaries and amount of SPA overpayments for which it had not initiated recovery actions. Similarly, the number and amount of erroneous overpayments on the MBR had decreased. However, SSA’s controls did not always ensure it initiated recovery actions timely and tracked overpayments until recovered or otherwise resolved. Based on our random sample, we estimate that SSA

- overpaid 9,222 beneficiaries about \$31 million for which it had not initiated recovery actions and
- should have removed from the MBR erroneous SPA overpayments, totaling about \$18.3 million, for 1,892 beneficiaries.

This occurred because SSA employees did not review the SPA overpayments or resolve the SPA overpayment alerts. We also found SSA could improve its overpayment collection efforts by producing follow-up alerts for SPA overpayments and/or by revising the clean-up project to identify and select SPA overpayments sooner.

### Recommendations

We recommend that SSA:

1. Take appropriate action to establish overpayments in ROAR and initiate recovery actions for the 39 beneficiaries identified by our audit.
2. Take appropriate action to remove erroneous SPA overpayments from the MBR for the eight beneficiaries identified by our audit.
3. Improve controls to ensure employees properly resolve SPA overpayments in a timely manner.

SSA agreed with our recommendations.

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## **ABBREVIATIONS**

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
SPA	Special Payment Amount
SSA	Social Security Administration

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) properly identified and controlled overpayments recorded as “special payment amounts” (SPA) on the Master Beneficiary Record (MBR).

## BACKGROUND

An overpayment is the total amount a beneficiary received for any period that exceeded the total amount SSA should have paid. After SSA makes an overpayment determination, the overpaid amount is a debt owed the Government.<sup>1</sup> In some instances, SSA temporarily records an overpayment as an SPA on the MBR until an SSA employee validates the overpayment.

If SSA employees determine the SPA is an overpayment, they should remove it from the MBR and record it in SSA’s Recovery of Overpayments, Accounting and Reporting (ROAR) system, which controls the recovery and collection of all Title II overpayments until repaid or otherwise resolved. SSA’s automated system generates an alert when it establishes an SPA overpayment on the MBR. SSA employees must manually process these alerts to establish and resolve the overpayments. SSA also conducts an annual clean-up project as an additional control to ensure SSA employees remove SPA overpayments from the MBR and establish them in ROAR.

In a 2009 audit,<sup>2</sup> we found that SSA needed to improve controls over SPA overpayments to ensure it initiated recovery actions timely and controlled overpayments until recovered or otherwise resolved. Specifically, we estimated that SSA (1) overpaid 11,840 beneficiaries about \$65.3 million for which it had not initiated recovery actions and (2) needed to remove from the MBR erroneous SPA overpayments, totaling about \$27.5 million, for 4,840 beneficiaries. Our prior report included several recommendations with which SSA agreed.

For our current review, we identified 23,645 beneficiaries with SPA overpayments of \$500 or more on the MBR. The total SPA amount for the 23,645 beneficiaries was about \$115.3 million. These beneficiaries represented new SPA overpayments on the MBR since our prior audit. From this population, we selected a random sample of 100 beneficiaries for review (see Appendix A).

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<sup>1</sup> SSA, POMS, GN 02201.001 (July 20, 2010).

<sup>2</sup> *Controls over “Special Payment Amount” Overpayments for Title II Beneficiaries* (A-09-09-29011), September 23, 2009.

## RESULTS OF REVIEW

Since our 2009 audit, SSA had reduced the number of overpaid beneficiaries and amount of SPA overpayments for which it had not initiated recovery actions. Similarly, the number and amount of erroneous overpayments on the MBR had decreased.<sup>3</sup> However, SSA's controls did not always ensure it initiated recovery actions timely and tracked overpayments until recovered or otherwise resolved. Based on our random sample, we estimate that SSA

- overpaid 9,222 beneficiaries about \$31 million for which it had not initiated recovery actions and
- should have removed from the MBR erroneous SPA overpayments, totaling about \$18.3 million, for 1,892 beneficiaries.

This occurred because SSA employees did not review the SPA overpayments or resolve the SPA overpayment alerts. We also found SSA could improve its overpayment collection efforts by producing follow-up alerts for SPA overpayments and/or revising the clean-up project to identify and select SPA overpayments sooner.

We are 90-percent confident the number of overpaid beneficiaries for whom SSA had not initiated recovery actions ranged from 7,289 to 11,272, and the amount of overpayments ranged from \$14.6 to \$47.3 million. In addition, we are 90-percent confident the number of beneficiaries with erroneous overpayments on the MBR ranged from 958 to 3,300, and the amount of erroneous overpayments ranged from \$1.5 to \$35 million (see Appendix B).

For the 100 beneficiaries in our sample, we found that

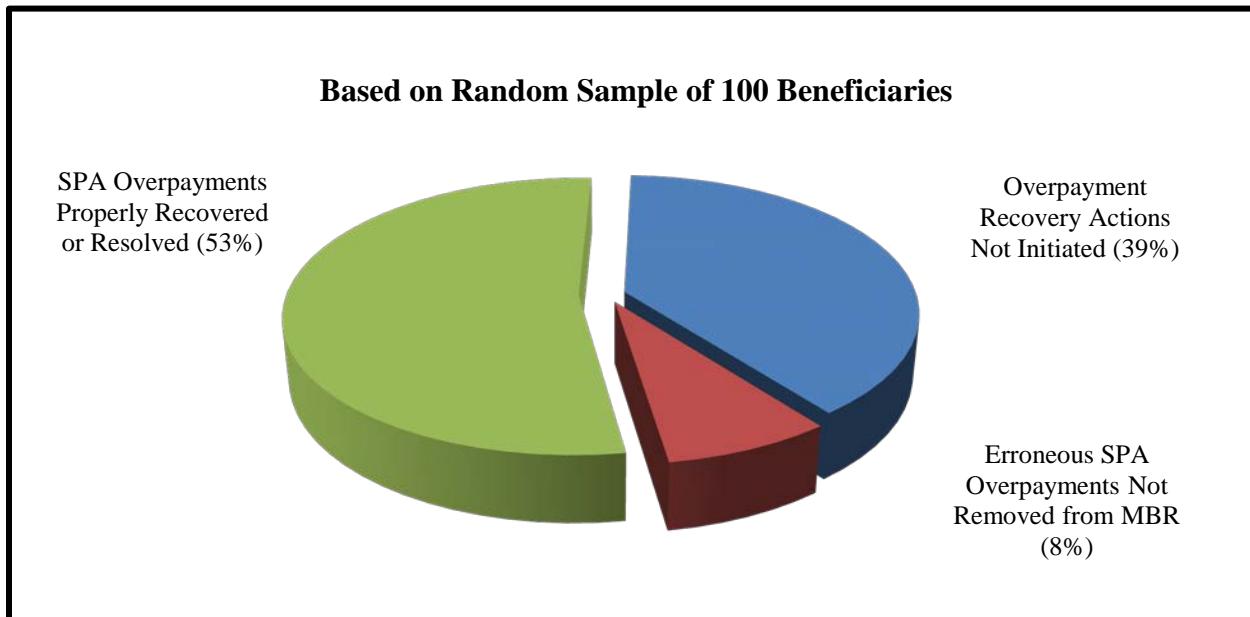
- 39 had valid overpayments for which SSA had not initiated recovery actions;
- 8 had erroneous SPA overpayments that should have been removed from the MBR; and
- 53 had SPA overpayments that were properly recovered or resolved.

The following chart summarizes the results of our review.

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<sup>3</sup> Since our prior audit, the number of overpaid beneficiaries for whom SSA had not initiated recovery actions had decreased from 11,840 to 9,222, and the amount of overpayments had decreased from \$65.3 to \$31 million. In addition, the number of beneficiaries with erroneous overpayments on the MBR had decreased from 4,840 to 1,892, and the amount of erroneous overpayments had decreased from \$27.5 to \$18.3 million.

**Figure 1: SPA Overpayments for Title II Beneficiaries**



## Overpayment Recovery Not Initiated

Title II overpayments must be recorded in ROAR, which controls the recovery and collection of all Title II overpayments until they are repaid or otherwise resolved. If the overpayment is recorded as an SPA on the MBR, SSA employees must remove it from the MBR, record it in ROAR, and request a refund from the overpaid person.

An SPA overpayment generally results from a retroactive suspension or termination of benefits and is not controlled by ROAR. Therefore, an SSA employee must determine whether SPA overpayments are valid. SSA employees must remove valid overpayments from the MBR and establish them in ROAR for control and tracking until recovered or otherwise resolved.

We found that SSA had not established \$130,899 in valid overpayments in ROAR for 39 beneficiaries. These overpayments occurred because SSA had retroactively suspended or terminated benefits. However, SSA did not take corrective actions to remove the SPA overpayment from the MBR and establish it in ROAR to initiate recovery, as appropriate.

The reasons for the overpayments included (1) work and earnings, (2) substantial gainful activity, (3) no longer disabled, and (4) incarceration. In these instances, SSA should establish overpayments in ROAR to initiate recovery actions.

For example, in February 2011, SSA suspended a beneficiary's payments effective January 2010 because of his substantial gainful activity. SSA subsequently determined it overpaid the beneficiary \$6,835. However, as of December 2014, SSA had neither removed the SPA overpayment from the MBR nor established it in ROAR to initiate recovery efforts.

## **Erroneous SPA Overpayments**

When SSA employees establish valid overpayments in ROAR or determine the SPA on the MBR is erroneous (for example, already collected or previously resolved), they must remove the SPA from the MBR.

We found that SSA had not removed \$77,322 in erroneous SPA overpayments from the MBR for eight beneficiaries. SSA had properly reviewed, recovered, or resolved the overpayments but had not removed the SPA overpayments from the MBR. Although the erroneous SPA overpayments did not affect the amount of valid overpayments, SSA employees needed to remove them from the MBR to ensure it is accurate. Removing erroneous SPA overpayments from the MBR also prevents improper withholding of these amounts from future benefits that may be payable to the beneficiaries.

For example, in March 2013, SSA terminated a beneficiary's payments effective August 2008 because he was no longer disabled. SSA subsequently determined it had overpaid him \$35,245 and established the overpayment in ROAR. However, as of December 2014, SSA had not removed the SPA overpayment of \$35,245 from the MBR.

## **Annual SPA Clean-up Project Could Be Improved**

SSA's automated system identifies overpayments when it retroactively suspends, terminates, or reduces a monthly benefit amount.<sup>4</sup> The automated system also generates an alert for employees to review when it establishes an SPA overpayment on the MBR. Finally, the annual SPA clean-up project selects beneficiaries with unresolved SPA overpayments on the MBR.

The annual SPA clean-up project reminds SSA employees they must resolve SPA overpayments and, if necessary, initiate overpayment recovery actions. Each year, the clean-up project selects beneficiaries who have SPA overpayments on the MBR where it has taken no action for at least 3 years. The SPA clean-up project does not identify beneficiaries who have had an SPA overpayment within the last 3 years.

The prompt initiation of the overpayment collection process maximizes the amount of debt recovered. Although SSA generates alerts when it establishes an SPA overpayment on the MBR, it does not produce a follow-up alert for 3 years until the SPA clean-up project. We believe more timely follow-up alerts would ensure SSA employees review and initiate overpayment recovery efforts timely. SSA has follow-up alerts at 5 months, 9 months, or 1 year for deceased beneficiaries with SPA overpayments.<sup>5</sup> We believe SSA should consider modifying these types of alerts to include living beneficiaries and/or revise the selection criteria for the SPA clean-up

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<sup>4</sup> SSA, POMS, GN 02201.003 (July 16, 2004).

<sup>5</sup> The Regular Transcript, Attainment, and Selection Pass program generates follow-up alerts for deceased beneficiaries with SPA overpayments over \$100. SSA, POMS, SM 00619.068 (April 12, 2005).

project to include overpayments that are less than 3 years. These revisions should improve its recovery of overpayments.

## CONCLUSIONS

Since our prior audit, SSA had reduced the number of overpaid beneficiaries and amount of SPA overpayments for which it had not initiated recovery actions. Similarly, the number and amount of erroneous overpayments on the MBR had decreased. However, SSA's controls did not always ensure it initiated recovery actions timely and tracked overpayments until recovered or otherwise resolved. We estimate that SSA (1) overpaid 9,222 beneficiaries about \$31 million for which it had not initiated recovery actions and (2) should have removed from the MBR erroneous SPA overpayments, totaling about \$18.3 million, for 1,892 beneficiaries (see Appendix B).

This occurred because SSA employees did not review the SPA overpayments or resolve the SPA overpayment alerts. We also found SSA could improve its overpayment collection efforts by producing follow-up alerts for SPA overpayments and/or revising the clean-up project to identify and select SPA overpayments sooner.

## RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action to establish overpayments in ROAR and initiate recovery actions for the 39 beneficiaries identified by our audit.
2. Take appropriate action to remove erroneous SPA overpayments from the MBR for the eight beneficiaries identified by our audit.
3. Improve controls to ensure employees properly resolve SPA overpayments in a timely manner.

## AGENCY COMMENTS

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

# *APPENDICES*

## **Appendix A – SCOPE AND METHODOLOGY**

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We obtained from the Social Security Administration’s (SSA) Master Beneficiary Record (MBR) a data extract of Title II beneficiaries with a “special payment amount” (SPA) overpayment as of April 2013. Using this information, we identified 23,645 beneficiaries with an SPA overpayment of \$500 or more and a date of suspension or termination between January 2007 and December 2012. To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act* and SSA’s Program Operations Manual System;
- interviewed SSA employees from the Western Program Service Center as well as the Offices of Financial Policy and Operations, Public Services and Operations Support, and Retirement and Survivors Insurance Systems;
- reviewed queries from SSA’s MBR and Payment History Update System for each sample item; and
- obtained and reviewed electronic folders, including the Paperless System and Online Retrieval System, to determine the nature and extent of actions SSA had taken.

We determined whether the computer-processed data from the MBR were sufficiently reliable for our intended purpose. We tested the data to determine their completeness and accuracy. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between May and December 2014. The entity audited was the Office of Operations under the Office of the Deputy Commissioner for 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 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.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

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We obtained from the Social Security Administration’s (SSA) Master Beneficiary Record (MBR) a data extract of Title II beneficiaries with a “special payment amount” (SPA) overpayment as of April 2013. Using this information, we identified 23,645 beneficiaries with an SPA overpayment of \$500 or more and a date of suspension or termination between January 2007 and December 2012. From this population, we selected a random sample of 100 beneficiaries for review.

### Overpayment Recovery Not Initiated

For 39 of the 100 beneficiaries in our sample, SSA had not established \$130,899 in valid overpayments in the Recovery of Overpayments, Accounting and Reporting system. Projecting our sample results to the population of 23,645 beneficiaries, we estimate that SSA overpaid 9,222 beneficiaries about \$31 million for which it had not initiated recovery actions.

### Erroneous SPA Overpayments

For 8 of the 100 beneficiaries in our sample, SSA had not removed \$77,322 in erroneous SPA overpayments from the MBR. Projecting our sample results to the population of 23,645 beneficiaries, we estimate that SSA should have removed from the MBR erroneous SPA overpayments, totaling about \$18.3 million, for 1,892 beneficiaries.

The following tables provide the details of our sample results and statistical projections.

**Table B–1: Population and Sample Size**

Description	Beneficiaries
Population Size	23,645
Sample Size	100

**Table B–2: Overpayment Recovery Not Initiated**

Description	Beneficiaries	Overpayments
Sample Results	39	\$130,899
Point Estimate	9,222	\$30,951,132
Projection – Lower Limit	7,289	\$14,614,943
Projection – Upper Limit	11,272	\$47,287,321

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

**Table B–3: Erroneous SPA Overpayments**

Description	Beneficiaries	Overpayments
Sample Results	8	\$77,322
Point Estimate	1,892	\$18,282,834
Projection – Lower Limit	958	\$1,518,403
Projection – Upper Limit	3,300	\$35,047,265

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

## **Appendix C – AGENCY COMMENTS**

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### **SOCIAL SECURITY**

#### **MEMORANDUM**

**Date:** April 29, 2015 **Refer To:** S1J-3

**To:** Patrick P. O’Carroll, Jr.  
Inspector General

**From:** Frank Cristaudo /s/  
Executive Counselor to the Commissioner

**Subject:** Office of the Inspector General Draft Report, “Controls over “Special Payment Amount” Overpayments for Title II Beneficiaries” (A-09-13-23098) - 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 Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “CONTROLS OVER “SPECIAL PAYMENT AMOUNT” OVERPAYMENTS FOR TITLE II BENEFICIARIES” (A-09-13-23098)**

**Recommendation 1**

Take appropriate action to establish overpayments in the Recovery of Overpayments, Accounting and Reporting System and initiate recovery actions for the 39 beneficiaries identified by our audit.

**Response**

We agree. We will establish overpayments for the 39 beneficiaries in our Recovery of Overpayments, Accounting and Reporting System and develop the cases according to our policy. We will take corrective action by September 30, 2015.

**Recommendation 2**

Take appropriate action to remove erroneous “special payment amount” (SPA) overpayments from the Master Beneficiary Record for the eight beneficiaries identified by our audit.

**Response**

We agree. We will take corrective action on the eight beneficiaries by September 30, 2015.

**Recommendation 3**

Improve controls to ensure employees properly resolve SPA overpayments in a timely manner.

**Response**

We agree. We have begun inter-component discussions to determine a cost-effective approach for making business process and systems changes to further improve our timeliness in identifying and resolving SPA overpayments so that we initiate recovery actions appropriately.

## **Appendix D – MAJOR CONTRIBUTORS**

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James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Regina Finley, Senior Auditor

Leticia Lew, Program Analyst

Wilfred Wong, Audit Data Specialist

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