

Audit Report

The Social Security Administration's
Compliance with the Improper
Payments Elimination and Recovery
Improvement Act of 2012 in the
Fiscal Year 2018 Agency
Financial Report



MEMORANDUM

Date: May 20, 2019 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2018 Agency Financial Report
(A-15-18-50678)

The attached final report presents the results of the Office of Audit's review. The objectives were to determine whether the Social Security Administration met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* and applicable guidance in the Payment Integrity section of its Fiscal Year 2018 Agency Financial Report. In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

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.

A handwritten signature in black ink that reads "Gail S. Ennis".

Gail S. Ennis

Attachment

The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2018 Agency Financial Report

A-15-18-50678



May 2019

Office of Audit Report Summary

Objectives

To determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) and applicable guidance in the Payment Integrity section of its Fiscal Year 2018 Agency Financial Report (AFR). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

Background

On January 10, 2013, the President signed IPERIA into law. IPERIA amended the *Improper Payments Information Act of 2002* (IPIA) and *Improper Payments Elimination and Recovery Act of 2010* (IPERA). In June 2018, the Office of Management and Budget (OMB) issued updated Government-wide guidance on the implementation of IPIA, as amended by IPERA and IPERIA. Both the law and OMB guidance require that agencies report specific improper payment information in their AFRs. Further, the law and guidance also require that Inspectors General review the improper payment information agencies report in their AFRs.

Findings

In its FY 2018 AFR, SSA did not comply with all IPIA reporting requirements. SSA did not meet reduction targets for Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income overpayments. The Agency reported the OMB-required improper payment information; however, there was one inaccuracy where the supporting documentation did not agree with amounts reported in SSA's FY 2018 AFR.

Although SSA had implemented corrective actions, there was no significant improvement in improper payments. Further, OASDI improper overpayments increased from FYs 2016 to 2017. SSA should determine whether it is identifying the root causes of improper payments and should implement additional initiatives to address those root causes. SSA was also unable to provide data that measured the effectiveness of its implemented corrective actions.

Recommendations

We recommend SSA:

1. Develop and/or enhance systems to capture data that measure the effectiveness of corrective actions.
2. Implement and expand existing corrective actions, where applicable, to address improper payments.
3. Develop new initiatives to address improper payments.

SSA agreed with our recommendations.

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ABBREVIATIONS

AFI	Access to Financial Institutions
AFR	Agency Financial Report
FY	Fiscal Year
IPERA	<i>Improper Payments Elimination and Recovery Act of 2010</i>
IPERIA	<i>Improper Payments Elimination and Recovery Improvement Act of 2012</i>
IPIA	<i>Improper Payments Information Act of 2002</i>
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQR	Office of Quality Review
PAR	Performance and Accountability Report
Pub. L. No.	Public Law Number
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
Stat.	United States Statutes at Large
U.S.C.	United States Code
WEP	Windfall Elimination Provision

OBJECTIVES

Our objectives were to determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) and applicable guidance in the Payment Integrity section of its Fiscal Year (FY) 2018 Agency Financial Report (AFR). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing¹ improper payments.

BACKGROUND

On January 10, 2013, the President signed IPERIA into law. IPERIA² amended the *Improper Payments Information Act of 2002* (IPIA)³ and *Improper Payments Elimination and Recovery Act of 2010* (IPERA),⁴ which were created to prevent the loss of taxpayer dollars. Although IPERIA amended the two previous Acts, the authorizing legislation is still IPIA (as such, we refer to IPIA throughout the report). In June 2018, the Office of Management and Budget (OMB) issued updated Government-wide guidance on implementing IPIA.⁵

Under IPIA, agencies shall identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Director of OMB.⁶ Each agency is required to prepare a report on actions it has taken or plans to take to recover improper payments, and intends to take to prevent future improper payments, for programs or activities with estimated improper payments.⁷ Also, Inspectors General are required to review each agency's improper payment reporting. OMB Circular A-136⁸ outlines the information agencies are required to include in their annual AFRs or Performance and Accountability Reports regarding improper payment estimates, reduction targets, root causes, and corrective actions.⁹ For Circular A-136 payment integrity agency reporting requirements,

¹ Recapture is any activity taken by an agency to attempt to identify and recover overpayments.

² *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248, 126 Stat. 2390.

³ *Improper Payments Information Act of 2002*, Pub. L. No. 107-300, 116 Stat. 2350.

⁴ *Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204, 124 Stat. 2224.

⁵ OMB, *Requirements for Payment Integrity Improvement, M-18-20, Circular A-123*, Appendix C (June 26, 2018). Appendix C implements requirements from (1) IPIA, as amended; (2) IPERA; (3) IPERIA.

⁶ OMB, *Requirements for Payment Integrity Improvement, M-18-20, Circular A-123*, Appendix C, part I, section (B)(2), p. 10 (June 26, 2018).

⁷ *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248 § 3(a)(2), 126 Stat. 2390, p. 2391 (codified at 31 U.S.C. § 3321 note).

⁸ OMB, *Financial Reporting Requirements, Circular A-136 Revised*, (July 30, 2018).

⁹ OMB, *Requirements for Payment Integrity Improvement, M-18-20, Circular A-123*, Appendix C, Part II, section (A)(2), p. 23 (June 26, 2018).

refer to Appendix A. For inspector general reporting responsibilities, refer to Appendix B, and for our scope and methodology, Appendix C.

To determine the payment accuracy and entitlement/eligibility of benefit payments made during a sample period, SSA's Office of Quality Review (OQR) conducts stewardship reviews. These stewardship reviews examine the non-medical elements in the Old-Age, Survivors and Disability Insurance (OASDI)¹⁰ and Supplemental Security Income (SSI)¹¹ programs. Each month, OQR selects a statistically valid sample of beneficiaries who received one or more payments during the review period. For each sample selected, an OQR employee interviews the beneficiary or representative payee; makes collateral contacts, as needed; and re-develops all non-medical factors of entitlement as of the sample month.

SSA uses the results of its stewardship reviews, in part, for the *Payment Integrity* report in its AFR. In accordance with OMB's guidelines, SSA reports improper payments that result from (1) its mistake in computing the payment, (2) its failure to obtain or act on available information affecting the payment, (3) a beneficiary's failure to report an event, or (4) a beneficiary's incorrect report. Some stewardship cases have more than one deficiency, which causes an improper payment. Data reported in the FY 2018 AFR were for cases OQR sampled in FY 2017.¹²

RESULTS OF REVIEW

In its FY 2018 AFR, SSA did not fully comply with IPIA reporting requirements. Although the Agency met five IPIA criteria, it did not meet its reduction targets for OASDI or SSI overpayments, as shown in Table 1.

Table 1: SSA IPIA Compliance Reporting

Program	Type of Improper Payment	Published an AFR	Conducted Risk Assessment	Published Improper Payment Estimate	Published Corrective Action Plan	Published and Met Reduction Targets	Reported Improper Payment Rate of Less than 10 Percent
OASDI	Overpayment	Compliant	Compliant	Compliant	Compliant	Non-Compliant	Compliant
	Underpayment	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
SSI	Overpayment	Compliant	Compliant	Compliant	Compliant	Non-Compliant	Compliant
	Underpayment	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant

¹⁰ The OASDI program provides benefits to wage earners and their families who meet certain criteria in the event the wage earner retires, becomes disabled, or dies. See 20 C.F.R. §§ 404.310, 404.315, 404.330, and 404.335 (govinfo.gov 2018).

¹¹ The SSI program provides payments to financially needy individuals who are aged, blind, or disabled. See 20 C.F.R. § 416.110 (govinfo.gov 2018).

¹² SSA will not have FY 2018 data until late in FY 2019.

SSA accurately reported improper payment information. However, there was one instance where the supporting documentation did not agree with amounts reported in the FY 2018 AFR. In addition, since 2011, SSA had relied on the Access to Financial Institutions (AFI) program for bank account searches to identify SSI overpayments due to undisclosed bank accounts. Despite AFI, SSA had made no significant progress in reducing SSI overpayments caused by nondisclosure of financial accounts. Moreover, SSA had not implemented several major corrective action plans. For example, while SSA started the acquisition process, it had not established a commercial payroll exchange to prevent overpayments caused by undisclosed substantial gainful activity (SGA)¹³ and wages. Consequently, SSA is several years away from determining whether corrective actions in these areas will be effective. Finally, SSA did not have measurement tools to determine whether its corrective action plans had a positive return on investment.

Compliance with IPIA

In FY 2018, SSA did not meet its reduction targets for OASDI and SSI overpayments, as required by IPIA.¹⁴ Although SSA complied with the remaining five criteria, OMB guidance requires that the Agency meet all requirements to be compliant with IPIA.¹⁵ As such, we concluded that SSA had not fully complied with IPIA. In Appendix D, we summarize the OMB guidance and reporting requirement with which SSA did not comply, our observations, and the Agency's response.

SSA also reported the change in the OASDI overpayment error rate from FYs 2016 to 2017 was statistically significant. The OASDI overpayment error rate increased from 0.21 percent in FY 2016 to 0.64 percent in FY 2017. The change in OASDI error rates from year to year had not been statistically significant since 2010.¹⁶ SSA stated, “A number of factors have contributed to the increase in wage related overpayments including [SGA] that both OASDI and SSI programs have experienced in recent years. A strong national economy which has increased the number of available jobs has historically contributed to increased instances of wage-related improper payments.”

¹³ SGA is the performance of significant physical and/or mental activities in work for pay or profit or in work of a type generally performed for pay or profit, regardless of the legality of the work. SSA, *POMS*, DI 10501.001 (January 5, 2007).

¹⁴ SSA, *Agency Financial Report Fiscal Year 2018: Payment Integrity*, pp. 175 and 177 (2018).

¹⁵ OMB, *Requirements for Payment Integrity Improvement, M-18-20, Circular A-123*, Appendix C, part IV, section (A)(3), p. 50 (June 26, 2018).

¹⁶ SSA began reporting whether changes were statistically significant from year to year in its *FY 2012 Performance and Accountability Report*, p. 209, Table 1, Note 5 (2012).

Accuracy and Completeness of IPIA Reporting

OMB guidance states an agency's Inspector General should evaluate the accuracy and completeness of agency reporting. SSA documentation supported the information in its FY 2018 AFR, except in one instance where the supporting documentation did not agree with amounts reported in its FY 2018 AFR. In this instance, SSA misstated the SSI amounts provided in the individual category section in the AFR,¹⁷ which displays the Improper Payment Root Cause Category Matrix for FY 2017.¹⁸ Despite this error, SSA produced a complete report that included all information required by OMB guidance.¹⁹ Each year, as the Agency develops the Payment Integrity report, it should review and retain all supporting documentation to ensure amounts are accurate.

Performance in Reducing and Recapturing Improper Payments

OMB guidance requires that agencies have corrective action plans for reducing the estimated improper payment rate. SSA identified the major causes of OASDI and SSI improper payments in its IPIA reporting. For each major cause, the Agency developed corrective action plans. Although SSA had implemented corrective actions, it has not made significant progress in reducing improper payments. We also could not determine the effectiveness of SSA's corrective actions because SSA did not have metrics to determine the success of these initiatives.

In our FY 2016 review, we recommended SSA develop systems to capture data that measure the effectiveness of existing corrective actions. SSA provided the following update to this recommendation, "We have significant data challenges when we try to measure the impact of our key initiatives on reducing improper payments. Our legacy systems do not currently capture the discrete data that we need to determine the impact of specific initiatives or potential efforts to reduce improper payments." In a 2011 report,²⁰ an independent auditor concluded that over half of SSA's performance indicators did not measure the Agency's progress on achieving its strategic goals and objectives. Further, in a 2015 report,²¹ we recommended SSA assess the results of future projects and determine whether the projects merit continued expenditures. As such, SSA should continue efforts to develop measures that will allow it to assess the success of

¹⁷ SSA, *Agency Financial Report Fiscal Year 2018: Payment Integrity*, p. 179 (2018). We noted the total amounts agreed with supporting documentation.

¹⁸ The Improper Payment Root Cause Category Matrix displays the reason for improper payments by amount at a granular level based on 14 OMB categories, including categories such as (1) Inability to Authenticate Eligibility, (2) Failure to Verify: Death Data, (3) Failure to Verify: Financial Data, (4) Medical Necessity, etc.

¹⁹ OMB, *Financial Reporting Requirements, Circular A-136 Revised* (July 30, 2018). See Appendix A.

²⁰ SSA, OIG, *Performance Indicator Audit: The Social Security Administration's Fiscal Year 2010 Performance Indicators*, A-02-10-11076, p. 29 (April 2011).

²¹ SSA, OIG, *Oversight of the Benefit Offset National Demonstration Project*, A-04-14-14078, p. 11 (September 2015).

improper payment initiatives so it can focus on corrective actions that will meet the OMB-approved reduction targets.

In FY 2016, we also recommended SSA annually review its existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments. During our current review, SSA provided information on its progress in implementing this recommendation.

We conduct an annual review when we submit our Agency Financial Report, specifically the Improper Payments Information Detailed Report. In accordance with OMB guidance, we annually review our existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments. . . . Each year, we carefully review the [stewardship] data and ensure we focus on the most critical areas for improvement. As we develop systems involving program integrity enhancements, we strive to capture discreet data from which we can develop more robust metrics to measure the effectiveness of our corrective actions. Balancing our information technology investments across our responsibilities to improve service and our stewardship workloads to prevent improper payments remains a top priority.

As stated above, the Agency annually reviews corrective actions to determine whether any action can be intensified or expanded. Based on our analysis of improper overpayments caused by financial accounts, wages, SGA, and computations, either the corrective actions were not effective or their effect was unknown. In a 2018 report,²² we determined about 1.1 million SSI recipients had not had redeterminations²³ completed in longer than 10 years. We estimated about 77,060 SSI recipients were overpaid approximately \$381.5 million. Per SSA, SSI redeterminations save significant program dollars by avoiding improper payments. We recommended SSA enhance the business process used to select SSI cases for redetermination. In December 2014, we issued an audit report about SSA's AFI program.²⁴ We determined AFI's full potential for identifying and preventing improper payments would not be realized until SSA uses AFI for all cases. AFI could result in additional savings if SSA used it more often. We recommended SSA determine whether systems enhancements were feasible for the program. As in prior years, we maintain that SSA needs to intensify or expand existing corrective actions to reduce and recapture improper payments.

²² SSA, OIG, *Supplemental Security Income Recipients Who Have Not Had a Redetermination in Longer than 10 Years*, A-01-17-50219, p. 9 (August 2018).

²³ A redetermination is a review of a recipient's non-medical eligibility factors (that is, income, resources, and living arrangements) to determine whether the recipient is still eligible for, and receiving, the correct SSI payment. SSA, *POMS*, SI 02305.001, A (August 29, 2014).

²⁴ SSA, OIG, *The Social Security Administration's Access to Financial Institutions Program, Limited Distribution*, A-01-13-13069, (December 2014).

In our FY 2017 review, we recommended SSA develop new initiatives to address improper payments. SSA provided the following update to this recommendation.

As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. Over the years, we have implemented a number of program integrity initiatives, and we have made progress to address existing root causes of improper payments. Moving forward, we will continue our efforts to increase the accuracy of payments. For example, . . . we will restart the acquisition process including developing requirements and conducting market research needed to announce a contracting opportunity for payroll data providers and procure a contract.²⁵

Based on our analysis of the causes of improper overpayments, some corrective actions were not effective in addressing the root causes and therefore reducing the deficiency. In prior audit reports, we recommended data matches to reduce improper payments in such areas as pensions,²⁶ workers' compensation,²⁷ unreported real property,²⁸ and Department of Homeland Security travel data.²⁹ SSA has implemented a data match for unreported real property and is working on a data match with the Department of Homeland Security. As in our prior report, we maintain SSA needs to develop new initiatives to address improper payments.

SSI Overpayments Caused by Financial Accounts

As reported in prior years, the leading causes of overpayments in the SSI program were financial accounts and wages. SSA implemented the AFI program in June 2011. AFI is an automated process that verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the claimant's address, during the SSI application and periodic redeterminations of continued eligibility stages. While SSA had enhanced AFI since its initial implementation, it was the only corrective action that was focused on reducing improper payments related to financial accounts. According to the AFR, the Agency stated conducting AFI searches between SSI redeterminations would not be the most efficient use of limited program integrity resources.³⁰ As shown in Figure 1, SSA's overpayment deficiency dollars related to financial accounts decreased from approximately \$1.4 billion in FY 2008; however, they remained above \$1 billion in FY 2017.

²⁵ For the status of this initiative, refer to page 9.

²⁶ SSA, OIG, *Old-Age, Survivors and Disability Insurance Benefits Affected by State or Local Government Pensions*, A-13-10-10143, pp. 5 and 6 (November 2011).

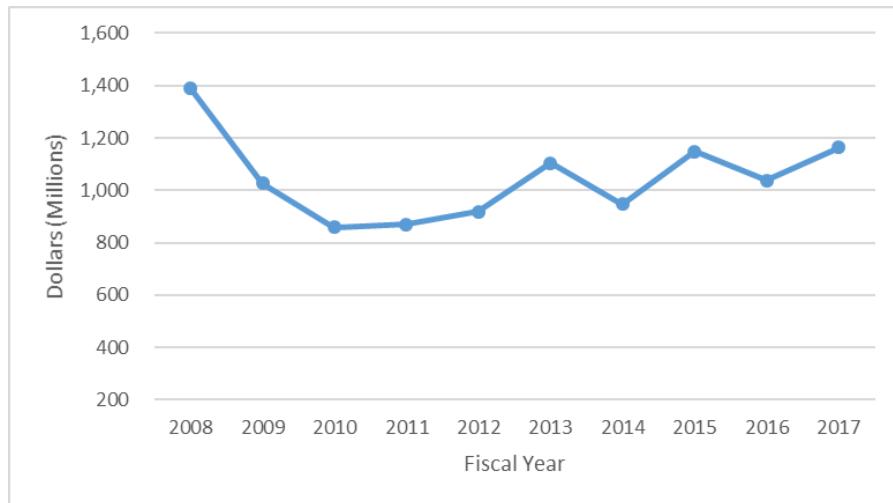
²⁷ SSA, OIG, *Accuracy of the Determination of Workers' Compensation Offset During Disability Insurance Claims Processing*, A-02-14-34090, p. 10 (September 2018).

²⁸ SSA, OIG, *Supplemental Security Income Recipients with Unreported Real Property*, A-02-09-29025, p. 11 (June 2011).

²⁹ SSA, OIG, *Usefulness of Department of Homeland Security Travel Data to Identify Supplemental Security Income Recipients Who Are Outside the United States*, A-01-11-01142, p. 10 (February 2013).

³⁰ SSA, *Agency Financial Report Fiscal Year 2018: Payment Integrity*, p. 189 (2018).

**Figure 1: Financial Account Overpayment Deficiency Dollars³¹
(FYs 2008 Through 2017)**



Financial accounts continue to be the leading cause of SSI improper overpayments.³² The AFI program was in place for FYs 2013 through 2017; however, deficiency dollars remained around \$1 billion. Over this 5-year period, a successful improper payment initiative should have reduced these financial account deficiencies.

SSA last updated the AFI program in January 2016, when it added a search feature to identify financial institutions by routing number.³³ Regarding new initiatives to address improper overpayments due to financial accounts, SSA stated,

We are exploring automation [to AFI] to reduce the reliance on manual action by employees. Finally, our [OQR] is exploring a probe of historical financial account errors, since the implementation of AFI, to understand whether there are opportunities to use AFI more effectively in our program. We expect to complete that review in late [FY 2019] and publish findings and recommendations by mid [FY 2020].

SSA stated in its FY 2018 AFR, that it would not be the most efficient use of program integrity resources to use AFI between SSI redeterminations. According to SSA, 81 percent of financial account errors were caused by a change in circumstance that occurred after the most recent redetermination or after the initial claim was completed and before a redetermination was initiated. Based on the cause of errors identified, SSA should determine whether it is correctly

³¹ OQR provided deficiency dollar amounts displayed in Figures 1 through 4.

³² SSA, *Agency Financial Report Fiscal Year 2018: Payment Integrity*, p. 187 (2018).

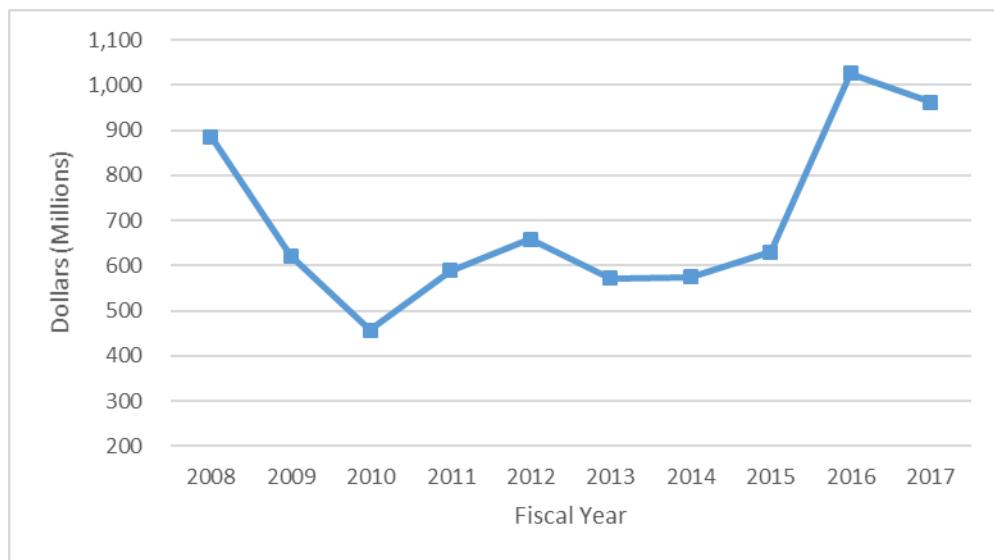
³³ The routing number serves to identify the specific financial institution which is responsible for payment.

targeting the root cause of these improper overpayments and implement initiatives to address those causes.³⁴

Overpayments Caused by Wages and SGA

Another major cause of improper SSI payments was wage reporting. According to the AFR, for longer than a decade, wage discrepancies had been one of the leading causes of improper payments.³⁵ Wage discrepancies occur when the recipient's actual wages differ from the wage amounts used to calculate the SSI payment. In FY 2008, the Agency implemented the SSI Telephone Wage Reporting System to allow recipients, representative payees, and deemors³⁶ to report prior monthly gross wages via an automated telephone system. SSA implemented SSI Mobile Wage Reporting in August 2013 to allow individuals to report wages through a smartphone application. In June 2018, SSA implemented online wage reporting for SSI recipients. Although the number of wage reports SSI recipients submitted using these systems increased over the years, the error dollars related to wages increased from \$575 million in FY 2014 to \$962 million in FY 2017, as shown in Figure 2.

**Figure 2: SSI Wages Overpayment Deficiency Dollars
(FYs 2008 Through 2017)**



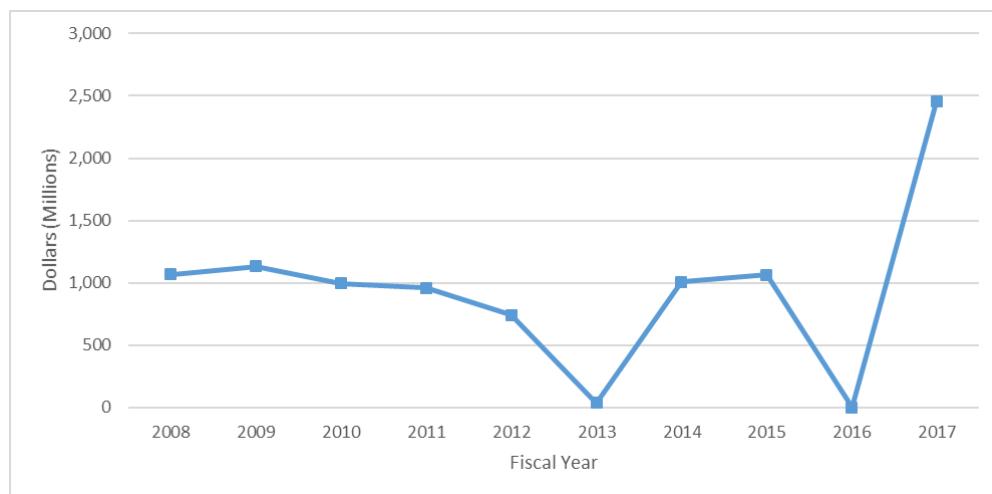
³⁴ We found the Government Accountability Office had initiated a review of SSA's corrective action plans for improper payments. Government Accountability Office, *Corrective Action Plans for Improper Payments*, 103418 (March 2019).

³⁵ SSA, *Agency Financial Report Fiscal Year 2018: Payment Integrity*, pp. 189-190 (2018).

³⁶ A deemor is generally the ineligible parent or spouse of the individual who is eligible for (or receiving) SSI. SSA, *Definition: Deemor*, ssa.gov (last visited March 22, 2019).

In addition, OASDI overpayments attributed to SGA increased significantly in FY 2017, as shown in Figure 3. SSA noted this increase contributed to the overall increase in the OASDI overpayment rate. In September 2017, SSA implemented online wage reporting for Disability Insurance beneficiaries to address improper payments due to SGA.

**Figure 3: OASDI SGA Overpayment Deficiency Dollars
(FYs 2008 Through 2017)**



To address improper payments related to wages and SGA, SSA stated,

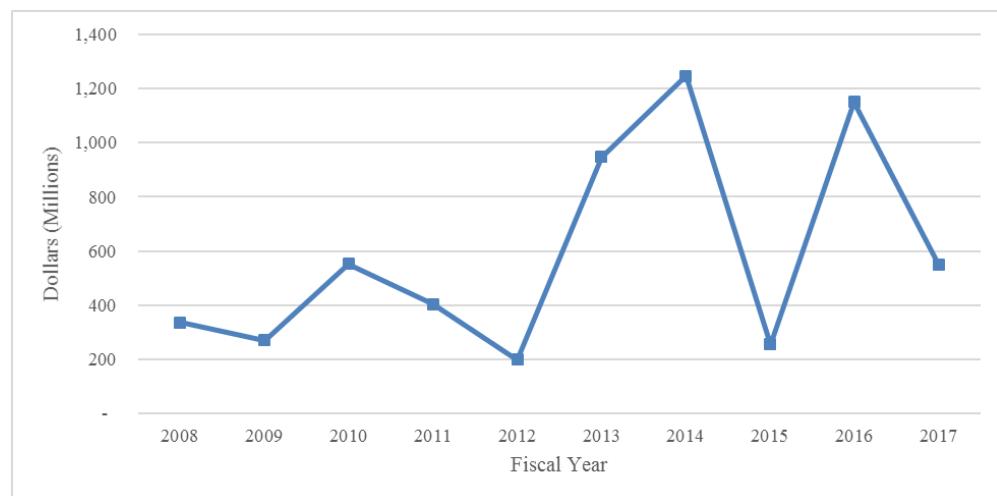
In [FY 2019], we are moving forward to develop the requirements and conducting market research needed to announce a contracting opportunity for payroll data providers. Implementation of the information exchange is contingent on awarding a contract, and is a multi-year effort. Our implementation strategy for this initiative . . . includes measuring its effectiveness on reducing improper payments due to unreported wages. In addition to establishing a commercial payroll exchange, we have expanded online services to enable self-reporting, and are identifying opportunities to enhance our communication and training to improve recipient self-reporting.

SSA is several years away from determining whether the proposed commercial payroll exchange will reduce improper payments because of SGA and wage reporting deficiencies. As improper overpayments due to wages and SGA have not significantly improved, and the change in the OASDI overpayment error rate is now statistically significant because of unreported SGA, SSA should establish a commercial payroll exchange as well as other corrective actions to reduce these errors.

OASDI Overpayments Caused by Computations

In the FY 2018 AFR, SSA reported that one of the leading causes of OASDI overpayments was computations. Inaccurate information or administrative mistakes can cause errors in calculating benefits.³⁷ Overpayment deficiency dollars related to computations had fluctuated greatly over the past 4 years. As shown in Figure 4, in FY 2014, SSA reported \$1.2 billion in overpayments related to computations, which decreased to \$255 million in FY 2015, increased to \$1.2 billion in FY 2016, and decreased to \$550 million in FY 2017.

**Figure 4: Computations Overpayment Deficiency Dollars
(FYs 2008 Through 2017)**



For the 5-year period, FYs 2013 through 2017, 63 percent of computation errors³⁸ were related to the Windfall Elimination Provision (WEP).³⁹ In FY 2018, SSA continued updating problematic OASDI system alerts, exceptions, and processing limitation codes with more descriptive definitions. According to SSA, this should improve payment accuracy. In FY 2017, SSA completed a review of overpayments to OASDI beneficiaries because of their work and earnings. Based on this review, SSA recommended issuing processing reminders to employees to improve payment accuracy. In November 2017, SSA published a report on overpayments to beneficiaries who are no longer disabled. The report recommended training and systems enhancement to improve payment accuracy. In addition, SSA stated,

³⁷ SSA, *Agency Financial Report Fiscal Year 2018: Payment Integrity*, p. 184 (2018).

³⁸ SSA, *Agency Financial Report Fiscal Year 2018: Payment Integrity*, p. 184 (2018).

³⁹ WEP can affect how SSA calculates retirement or disability benefits. If a beneficiary worked for an employer that did not withhold Social Security taxes from his/her salary, such as a government agency or an employer in another country, any retirement or disability pension from that work can reduce his/her Social Security benefits. Refer to SSA, *Windfall Elimination Provision*, Publication No. 05-10045 (2019).

We have engaged in high-level discussions with the [Internal Revenue Service] to obtain non-covered pension information [The Internal Revenue Service] believes it cannot request the pension information we want from the States without . . . legislation. Subsequent to those discussions, a small inter-agency workgroup was established to explore other options and alternatives; discussions are ongoing.

SSA should continue identifying initiatives that reduce OASDI improper payments caused by computation errors and determine whether the existing initiatives were effective in reducing improper payments.

Risk and Oversight Assessed by the Office of the Inspector General

To evaluate the Agency's risk assessment and quality of the improper payment estimates and methodology, we relied on the audit work KPMG, LLP conducted as part of its audit of SSA's FY 2017 financial statements. KPMG analyzed the statistical sampling methods and extrapolation procedures SSA employed to generate payment accuracy estimates, as reported in SSA's annual stewardship reviews. KPMG concluded the statistical sampling methods and error extrapolation procedures SSA used to calculate OASDI and SSI improper payment rates were reasonable.

In addition to KPMG's work, we continued overseeing the SSI and OASDI programs through various audits. In FY 2018, we issued 76 reports that identified over \$2.1 billion in questioned costs and more than \$849 million in Federal funds that could be put to better use. Several of these reports focused on the SSA management challenge to reduce improper payments.⁴⁰ See Appendix E for our FY 2018 reports related to reducing improper payments and increasing overpayment recoveries.

CONCLUSIONS

In its FY 2018 AFR, SSA did not comply with all IPIA reporting requirements. In accordance with OMB guidance, SSA (1) published an AFR, (2) conducted a risk assessment for each program, (3) published improper payment estimates and corrective action plans for programs susceptible to significant improper payments, and (4) reported a gross improper payment rate of less than 10 percent for each program. However, SSA did not meet reduction targets for OASDI and SSI overpayments. Further, the Agency reported the OMB-required improper payment information; however, there was one inaccuracy where the supporting documentation did not agree with amounts reported in the FY 2018 AFR.

⁴⁰ Our review of *The Social Security Administration's Use of Hurricane Sandy Relief Funds, A-15-14-14040*, (January 2015) determined whether SSA appropriately used Hurricane Sandy Relief Funds under the *Disaster Relief Appropriations Act of 2013*, Pub. L. No. 113-2, 127 Stat. 4.

Although SSA had implemented corrective actions, there was no significant improvement in improper payments. Further, OASDI improper overpayments increased from FYs 2016 to 2017. SSA should determine whether it is identifying the root causes of improper payments and should implement additional initiatives to address those root causes. SSA was also unable to provide data that measured the effectiveness of its implemented corrective actions.

RECOMMENDATIONS

We recommend SSA:

1. Develop and/or enhance systems to capture data that measure the effectiveness of corrective actions.
2. Implement and expand existing corrective actions, where applicable, to address improper payments.
3. Develop new initiatives to address improper payments.

AGENCY COMMENTS

SSA agreed with our recommendations and provided technical comments, which we incorporated as appropriate; see Appendix F.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – PAYMENT INTEGRITY REPORTING REQUIREMENTS

Office of Management and Budget (OMB) guidance defines significant improper payments as exceeding \$10 million of all program or activity payments made during the fiscal year reported and 1.5 percent of program outlays or \$100 million.¹ For each program and activity identified as at risk for significant improper payments, the agency is required to use an OMB-approved estimate methodology to produce a statistically valid estimate of the improper payments and include those estimates in the materials that accompany the agency's annual financial statements.²

OMB Circular A-136³ outlines the information agencies are required to include in their annual Agency Financial Report or Performance and Accountability Reports regarding improper payment estimates, reduction targets, root causes, and corrective actions.⁴ Among other things, the report must describe the

- estimated amount of improper payments and root causes of over- and underpayments,⁵
- corrective action plans for reducing the estimated improper payment rate and amount for each type of root cause identified,⁶ and
- statistical sampling process conducted to estimate the improper payment rate for each program.⁷

¹ OMB, *Requirements for Payment Integrity Improvement, M-18-20, Circular A-123*, Appendix C, part I, section (B)(1), p. 10 (June 26, 2018).

² See Footnote 1, part II, section (A)(2), p. 23.

³ OMB, *Financial Reporting Requirements, Circular A-136 Revised*, (July 30, 2018).

⁴ See Footnote 1, part II, section (A)(2), p. 23.

⁵ See Footnote 3, section II.4.5 I(a-d), p. 110.

⁶ See Footnote 3, section II.4.5 I(f), pp. 110-111.

⁷ See Footnote 3, section II.4.5 VII, p. 113.

In addition, the *Improper Payments Information Act of 2002* requires that the agency discuss payment recapture audit efforts, if applicable,⁸ including

- the methods used to recover overpayments;
- a justification for determining overpayments are not collectable;
- any conditions that give rise to improper payments and how those conditions are being resolved;
- the amounts recovered, outstanding, and determined uncollectable;
- a summary of the disposal of recovered amounts; and
- an aging schedule of the outstanding amounts.⁹

The agency is also required to justify programs or activities it excluded from review, including programs or activities where the agency determined it would not be cost-effective to conduct recovery audits.¹⁰

⁸ The *Improper Payments Information Act of 2002* generally requires that recovery audits be conducted, unless prohibited by law, for each program and activity of an agency that expends \$1 million or more annually if conducting such audits would be cost-effective. *Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204 § 2(h)(2)(A), 124 Stat. 2224, pp. 2228 and 2229.

⁹ OMB, *Financial Reporting Requirements, Circular A-136 Revised*, section II.4.5 II, pp. 111-112 (July 30, 2018).

¹⁰ See Footnote 9, section II.4.5 II(c), p. 111.

Appendix B – RESPONSIBILITIES OF INSPECTOR GENERAL

Office of Management and Budget (OMB) guidance specifies that each agency's Inspector General review improper payment reporting in its annual Agency Financial Report (AFR) or Performance and Accountability Report (PAR) and accompanying information to determine whether it complied with the *Improper Payments Information Act of 2002* (IPIA).¹

According to OMB guidance, compliance with IPIA means the agency has

- published an AFR or PAR for the most recent fiscal year (FY) and posted that report and any OMB-required accompanying materials to the agency's Website;
- conducted a program-specific risk assessment for each program or activity that conforms with section 3321 note of Title 31 U.S.C.² (if required);
- published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- published programmatic corrective action plans in the AFR or PAR (if required);
- published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.³

Per OMB guidance, if an agency does not meet one or more of these requirements, it is not compliant with IPIA.⁴ OMB guidance also states the agency's Inspector General should evaluate the accuracy and completeness of agency reporting and performance in reducing and recapturing improper payments. The Inspector General should also evaluate the corrective action plans and determine whether the corrective actions were focused on the true root cause and were actually reducing the improper payments, and whether they were effectively implemented. Finally, the Inspector General should evaluate the quality of improper payment estimates and methodology as well as the oversight or financial controls used to identify and prevent improper payments.⁵

¹ *Improper Payments Information Act of 2002*, Pub. L. No. 107-300, 116 Stat. 2350 (2002).

² *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248, 126 Stat. 2390.

³ OMB, *Requirements for Payment Integrity Improvement, M-18-20, Circular A-123*, Appendix C, Part IV, section (A)(3) p. 49 (June 26, 2018).

⁴ See Footnote 3, p.50.

⁵ See Footnote 3, section (A)(4), p. 51.

Appendix C – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed the *Payment Integrity* report in the Social Security Administration's (SSA) Fiscal Year 2018 Agency Financial Report to ensure compliance with all requirements of the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010* and the *Improper Payments Elimination and Recovery Improvement Act of 2012*.
- Reviewed applicable Federal laws and regulations, Office of Management and Budget guidance, and SSA's Program Operations Manual System.
- Requested source data from the Office of Budget, Finance, and Management to support the figures in the Agency Financial Report.
- Analyzed the source data to assess their accuracy and completeness.

We determined the computerized data used during our audit were sufficiently reliable given our objectives, and the intended use of the data should not lead to incorrect or unintentional conclusions.

We conducted our audit from November 2018 through February 2019 in Baltimore, Maryland. The primary entity audited was the Office of Budget, Finance, and Management. 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SSA did not report any payments made under *The Disaster Relief Appropriations Act of 2013* in Fiscal Year 2018. Therefore, we did not review the six requirements from section 3 of the *Improper Payments Elimination and Recovery Improvement Act of 2012* as they related to *The Disaster Relief Appropriations Act* funds.

Appendix D– OFFICE OF MANAGEMENT AND BUDGET GUIDANCE

Office of Management and Budget Guidance	Office of the Inspector General Observation	Agency Response
An agency has published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments. ¹	In the Agency's Fiscal Year (FY) 2017 Agency Financial Report (AFR), the target rate for the Old-Age, Survivors and Disability Insurance (OASDI) overpayments was 0.20 percent. In the FY 2018 AFR, the estimated OASDI overpayment rate was 0.64 percent, which did not meet guidance requirements. In the Agency's FY 2017 AFR, the target rate for Supplemental Security Income (SSI) overpayments was 6 percent. In the FY 2018 AFR, the estimated SSI overpayment rate was 7.29 percent, which did not meet guidance requirements.	For FY 2017, each tenth of a percentage point in payment accuracy represents about \$910 million in OASDI program outlays and about \$56.4 million in SSI program outlays. Given limited resources, we try to balance program integrity work with other agency priorities.

¹ OMB, *Requirements for Payment Integrity Improvement, M-18-20, Circular A-123, Appendix C, Part IV, section (A)(3)* p. 49 (June 26, 2018).

Appendix E – FISCAL YEAR 2018 OFFICE OF THE INSPECTOR GENERAL REPORTS

The following Office of the Inspector General reports related to reducing improper payments and increasing overpayment recoveries.

- *Effectiveness of the Social Security Administration’s Medicare Non-utilization Project*, A-08-17-50261 (September 2018)
- *Interim Benefits Paid After a Disability Claim is Denied*, A-02-18-50543 (September 2018)
- *Accuracy of Supplemental Security Income Payments to Recipients with Manually Deemed Income*, A-07-18-50295 (August 2018)
- *Match of Treasury Death Information Against Social Security Administration Records*, A-06-18-50568 (August 2018)
- *Supplemental Security Income Recipients Who Have Not Had a Redetermination in Longer than 10 Years*, A-01-17-50219 (August 2018)
- *Follow-up: Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset*, A-09-17-50252 (August 2018)
- *Underpayments Paid on Supplemental Security Income Records with Outstanding Overpayments*, A-07-17-50182 (July 2018)
- *Overpayments Not Collected through Benefit Withholding*, A-07-18-50278 (July 2018)
- *Old-Age, Survivors and Disability Insurance Debtors Who Were Not Current on an Installment Agreement*, A-04-18-50265 (May 2018)
- *Match of Washington Death Information Against Social Security Administration Records*, A-06-17-50172 (May 2018)
- *Manual Adjustment to Old-Age, Survivors and Disability Insurance Overpayments*, A-07-18-50294 (April 2018)
- *Higher Benefits for Dually Entitled Widow(er)s Had They Delayed Applying for Retirement Benefits*, A-09-18-50559 (February 2018)
- *Pending Supplemental Security Income Alerts Related to Over-Reported Earnings*, A-07-17-50264 (January 2018)
- *Old-Age, Survivors and Disability Insurance Benefits to Individuals Removed from the United States*, A-13-17-34105 (December 2017)

Appendix F – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: May 13, 2019 Refer To: S1J-3

To: Gail S. Ennis
Inspector General

A handwritten signature in blue ink that reads "Stephanie Hall".

From: Stephanie Hall
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "SSA's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2018 Agency Financial Report" (A-15-18-50678) -- INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments. We also provided technical comments at the staff level.

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

Attachment

SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, “SSA’S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT OF 2012 IN THE FISCAL YEAR 2018 AGENCY FINANCIAL REPORT” (A-15-18-50678)

GENERAL COMMENTS

Reducing improper payments continues to be one of our highest priorities. We focus our program integrity initiatives on reducing our reliance on beneficiary reporting, collecting data more effectively, and automating the use of that data in our systems. We continue to explore the root causes of error and we are implementing multi-year information technology investments to effectively enhance and improve our ability to measure the effects of corrective actions.

Recommendation 1

Develop and/or enhance systems to capture data that measure the effectiveness of corrective actions.

Response

We agree.

Recommendation 2

Implement and expand existing corrective actions, where applicable, to address improper payments.

Response

We agree.

Recommendation 3

Develop new initiatives to address improper payments.

Response

We agree to the extent that we identify new strategies to prevent improper payments. We are expanding our underlying root cause analysis to inform us of potential new strategies.

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