



SOCIAL SECURITY

MEMORANDUM

Date: June 22, 2007

Refer To:

To: The Commissioner

From: Inspector General

Subject: Cross-Program Recovery of Benefit Overpayments (A-13-06-16031)

The attached final report presents the results of our audit. Our objective was to review the Social Security Administration's actions pertaining to cross-program recovery of benefit overpayments as authorized by the *Social Security Protection Act of 2004*.

Please provide within 60 days a corrective action plan that addresses each recommendation. 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.



Patrick P. O'Carroll, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CROSS-PROGRAM RECOVERY OF
BENEFIT OVERPAYMENTS**

June 2007

A-13-06-16031

AUDIT REPORT



Mission

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

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

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

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

Vision

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

Executive Summary

OBJECTIVE

Our objective was to review the Social Security Administration's (SSA) actions pertaining to cross-program recovery of benefit overpayments as authorized by the *Social Security Protection Act of 2004* (SSPA).

BACKGROUND

Cross-program recovery is the process of collecting overpayments by withholding the payable benefits individuals are to receive from another SSA-administered benefit program. Before SSPA was enacted in March 2004, the Agency had limited authority to collect overpayments using cross-program recovery. SSPA reaffirmed the Agency's authority to collect Supplemental Security Income (SSI) overpayments under section 1147 of the *Social Security Act* and expanded its authority by allowing SSA to use cross-program recovery to collect Old-Age, Survivors and Disability Insurance (OASDI) overpayments from SSI payments.

RESULTS OF REVIEW

The Agency has not fully implemented its cross-program authority as authorized under SSPA. Specifically, the Agency is not collecting OASDI overpayments from current SSI payments. As of March 2007, SSA's plans only addressed using cross-program authority to offset overpayments from underpayments. Agency staff stated SSA had not made a decision to collect OASDI overpayments from monthly SSI payments. For the records we reviewed, we estimate SSA could collect a maximum of about \$3.6 million over a 21-month period from SSI payments to recover OASDI overpayments. The amounts recovered could also earn about \$149,000 in interest for the OASDI trust funds over a 21-month period. In addition, we found SSA did not always collect SSI overpayments using cross-program recovery, as required by existing SSA policy. We estimate for the records examined that over a 21-month period, SSA could recover a maximum of about \$13.4 million in SSI overpayments.

CONCLUSION AND RECOMMENDATIONS

SSA could improve its management controls over cross-program recovery. By implementing appropriate policies and procedures and information systems support, the Agency could effectively and efficiently use cross-program recovery as a debt collection tool for OASDI overpayments. Also, the Agency should comply with its existing policy for mandatory cross-program recovery of SSI overpayments. We recommend SSA (1) implement the authority to use cross-program recovery to collect OASDI overpayments; (2) comply with its policy for mandatory cross-program recovery of SSI overpayments; and (3) review the individuals we identified that had SSI overpayment

indicators and were receiving OASDI benefit payments to determine whether mandatory cross-program recovery should occur.

AGENCY COMMENTS

SSA generally agreed with our recommendations. Concerning Recommendation 3, the Agency indicated it is likely that a significant portion of the SSI overpayments identified in this audit were pending action to begin cross-program recovery per Agency policies and regulations. SSA's comments are included in Appendix D.

OIG RESPONSE

In response to the Agency's concerns about the individuals identified as subject to mandatory cross-program recovery, we are providing additional information. As of May 2006, we identified 1,502 individuals who met the Agency's criteria for manual cross-program recovery, as specified in Program Operations Manual System, SI 02220.020.C.2.a. Of the 1,502 individuals, Agency staff agreed to review information for 3 individuals. SSA staff confirmed manual cross-program recovery should have occurred for the debt of two individuals, and one individual's debt was referred to the Department of Justice for collection.

To address the Agency's request that we screen-out individuals with cross-program recovery exclusions, we randomly selected and reviewed the records for 30 of the 1,502 individuals identified to determine whether, as of May 2006, these individuals had pending waiver or reconsideration requests or responded within 60 days to the Agency's initial notice of overpayment. We found none of these conditions were applicable for 29 of the 30 individuals. For one individual, the 60-day time period had not expired in May 2006. Therefore, we reaffirm our recommendation that SSA determine whether mandatory cross-program recovery should occur for these 1,502 individuals.

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Introduction

OBJECTIVE

Our objective was to review the Social Security Administration's (SSA) actions pertaining to cross-program recovery of benefit overpayments,¹ as authorized by the *Social Security Protection Act of 2004* (SSPA).²

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI), Special Veterans Benefits (SVB), and Supplemental Security Income (SSI) programs under Titles II, VIII and XVI of the *Social Security Act*,³ respectively. Under the OASDI program, monthly benefits are paid to eligible retired or disabled workers and their families as well as survivors of deceased workers. Certain World War II veterans who are eligible for SSI payments may be entitled to receive SVB benefits instead of SSI when they reside outside the United States. SSI is a cash assistance program that provides a minimum level of income to financially needy individuals who are aged, blind or disabled.

SSA defines an overpayment⁴ as the total amount an individual received for a period that exceeded the total amount that should have been paid for that period. When an overpayment is made, the overpayment is a debt owed the Government.⁵ As we have previously reported,⁶ as a part of its stewardship responsibilities, SSA needs to prevent overpayments.

Cross-program recovery is the process of collecting overpayments by withholding the payable benefits individuals are to receive from another benefit program SSA administers. Before SSPA was enacted in March 2004, the Agency had limited authority to collect overpayments using cross-program recovery without the consent of

¹ We did not assess SVB payments. Under Title VIII of the *Social Security Act*, certain World War II veterans may be entitled to SVB when they reside outside the United States.

² Public Law 108-203 § 210.

³ The *Social Security Act* §§ 201 et seq., 801 et seq., and 1601 et seq., 42 United States Code §§ 401 et seq., 1001 et seq. and 1381 et seq.

⁴ Based on criteria as outlined in SSA's Programs Operations Manual System (POMS), SM 00865.015, all OASDI overpayments in our review can be considered as legally defined overpayments. Also, all SSI overpayments in our review met the criteria for legally defined overpayments as outlined in SI 02201.005.

⁵ POMS, GN 02201.001A.

⁶ *The Social Security Administration's Decisions to Terminate Collection Efforts for Old-Age, Survivors and Disability Insurance Overpayment*, March 22, 2006.

the overpaid individual. Section 1147 of the *Social Security Act* limited use of cross-program recovery to the collection of SSI overpayments. Further, SSI overpayments could only be collected from OASDI benefits if individuals were no longer eligible for SSI payments, and collection each month was limited to 10 percent of the OASDI benefit amount payable in that month.

SSPA reaffirmed the Agency's authority to collect SSI overpayments under section 1147 of the *Social Security Act* and expanded its authority by allowing SSA to use cross-program recovery to collect OASDI overpayments from SSI payments. Under SSPA, the Agency can collect overpayments by withholding up to 100 percent of any underpayments.⁷ SSA can also withhold up to 10 percent from monthly payments to offset any overpayments.

To identify overpayments for which cross-program recovery could be used, we analyzed three data extracts. Data were extracted from SSA's Supplemental Security Record (SSR), Master Beneficiary Record (MBR), and Recovery of Overpayments, Accounting and Reporting system. The information we analyzed was in these records as of May 18, 2006. See Appendix B for discussion of the Scope and Methodology.

First, we analyzed a data extract of individuals receiving SSI payments who had OASDI overpayment indicators on their records. Second, we examined a data extract of information pertaining to individuals concurrently receiving SSI and OASDI payments having either (1) OASDI overpayment indicators on their records; (2) SSI overpayment indicators on their records; or (3) OASDI and SSI overpayment indicators on their records. Finally, we assessed a data extract of information pertaining to individuals receiving OASDI payments having SSI overpayment indicators on their records. None of the individuals included in the data extracts had underpayment indicators on their records.

Our analysis of the three data extracts identified instances where SSA could have used its expanded authority to collect overpayments by using cross-program recovery. We excluded from our review those instances where individuals had both OASDI and SSI overpayment indicators on their records. These records had indicators of on-going collection activities by the Agency.

⁷ POMS, GN 02301.001 identifies an underpayment as any monthly benefit amount (or portion of a monthly benefit amount) due a person which has not been paid.

Results of Review

The Agency had not fully implemented its cross-program authority as authorized under SSPA. Specifically, the Agency is not collecting OASDI overpayments from current SSI payments. As of March 2007, SSA's plans only addressed using cross-program authority to offset overpayments from underpayments. Agency staff stated SSA had not made a decision to collect OASDI overpayments from monthly SSI payments. For the records we reviewed, we estimate SSA could collect a maximum of about \$3.6 million over a 21-month period from SSI payments to recover OASDI overpayments. The amounts recovered could also earn about \$149,000⁸ in interest for the OASDI trust funds over a 21-month period. In addition, we found SSA did not always collect SSI overpayments using cross-program recovery, as required by existing SSA policy. We estimate for the records examined that over a 21-month period, SSA could recover a maximum of about \$13.4 million in SSI overpayments. Our estimates are summarized in Table 1.

Table 1: Estimated OASDI and SSI Overpayments Available for Cross-Program Recovery (Dollars in Millions)

Type of Overpayment and Payment(s) Received	Estimated Number of Records with Overpayment Indicators	Estimated OASDI Overpayments Available for Cross-Program Recovery	Estimated SSI Overpayments Available for Cross-Program Recovery	Estimated Overpayments for Recovery in 21-Month Period ⁹
Individuals with OASDI Overpayments Receiving SSI	1,440	\$8.0		\$1.0
Individuals with OASDI Overpayments Concurrently Receiving SSI and OASDI	26,380	\$33.7		\$2.6
Individuals with SSI Overpayments Receiving OASDI	30,040		\$27.4	\$13.4
Total	57,860	\$41.7	\$27.4	\$17.0

⁸ To compute the interest earned on amounts recovered, we assumed the estimated amount of funds recovered in a 21-month period (about \$3.6 million) is collected in equal monthly amounts (about \$169,895). We multiplied the total monthly balance of funds collected using cross-program recovery by 1/12 of 4.57 percent (annualized interest rate for fiscal year beginning October 1, 2005, as reported by the Financial Management Service, a bureau of the Department of the Treasury).

⁹ See Appendix C for the estimating methodology.

SSA HAD NOT FULLY IMPLEMENTED ITS CROSS-PROGRAM AUTHORITY, AS AUTHORIZED UNDER SSPA

We found the Agency had not fully implemented its expanded cross-program recovery authority under SSPA to collect OASDI overpayments from monthly SSI payments. As of December 2006, SSA did not have policies and procedures to collect OASDI overpayments from monthly SSI payments. Agency staff indicated SSA is working toward implementing SSPA. However, as of March 2007, SSA's plans only address using cross-program authority to offset overpayments from underpayments. Agency staff stated the Agency had not made a decision to collect OASDI overpayments from monthly SSI payments. By not fully using its cross-program recovery authority, the Agency has missed the opportunity to reduce monthly payments it made to individuals who owed a debt to SSA.

We discussed our analysis with staff from the Office of Income Security Programs who stated SSA plans to offset OASDI overpayments by withholding SSI underpayments. Further, staff explained the Office of Systems was asked to make automated system changes to allow the offset to occur by the fall of 2007. Office of Systems staff confirmed the changes needed to withhold appropriate SSI underpayments would be implemented by the end of Fiscal Year 2007.

SSA Had Not Implemented the Collection of OASDI Overpayments When Individuals Received SSI Payments

We found the Agency did not use cross-program recovery to collect OASDI overpayments when individuals received SSI payments. Our review of the May 18, 2006, data extract found 72 individuals who were receiving SSI payments with a total of \$402,000 in OASDI overpayments on their records.

The 72 individuals' records did not indicate on-going collection activities.

We estimate, as of May 2006, there were about 1,440 individuals receiving SSI payments who had approximately \$8 million of OASDI overpayment indicators on their records. If the Agency used cross-program recovery, we estimate a maximum of about \$1 million could be collected during a 21-month period. In addition, we estimate the OASDI trust funds could earn about \$42,000¹⁰ in interest over the same period.

¹⁰ To compute the interest earned on amounts recovered from individuals receiving SSI, we assumed the estimated amount of funds recovered in a 21-month period (about \$999,247) is collected in equal monthly amounts (about \$47,583). We multiplied the total monthly balance of funds collected using cross-program recovery by 1/12 of 4.57 percent (annualized interest rate for fiscal year beginning October 1, 2005, as reported by the Financial Management Service, a bureau of the Department of the Treasury).

For example, the record for one individual who was receiving \$722¹¹ in monthly SSI payments indicated a \$10,168 OASDI overpayment. Using cross-program recovery, SSA could withhold a maximum of \$72 each month from the payment, which would reduce the overpayment to \$9,304 at the end of a 12-month period.

SSA Had Not Implemented the Collection of OASDI Overpayments When Individuals Concurrently Received SSI and OASDI Payments

overpayments.

We found the Agency did not use cross-program recovery to collect OASDI overpayments when individuals received both SSI and OASDI payments. Our review of the May 2006 data found 1,319 individuals receiving both payments that had about \$1.7 million in OASDI overpayments indicated on their records. None of the records indicated SSI payments were being used to offset OASDI

We estimate as of May 2006 there were about 26,000 individuals receiving SSI and OASDI payments concurrently with records indicating (1) approximately \$33.7 million in OASDI overpayments and (2) cross-program recovery was not being used to collect the OASDI overpayments. For a 21-month period it is estimated an opportunity existed that the Agency could collect a maximum of about \$2.6 million of the OASDI overpayments from the SSI payments. In addition, we estimate the OASDI trust funds could earn about \$107,000¹² in interest over the same period.

For example, the record for one individual indicated a \$2,296 OASDI overpayment. Each month this individual was receiving \$228 in OASDI benefits and a \$415 SSI payment. We found no on-going collection actions for this individual. If cross-program recovery was used, SSA could withhold a maximum of \$41 each month from the SSI payment. Using cross-program recovery over a 12-month period, the Agency could have the opportunity to reduce the overpayment balance to \$1,804.

¹¹ This amount reflects a monthly SSI payment of \$603 and State supplementary payment of \$119. If existing Agency policy pertaining to the recovery of SSI overpayments from monthly SSI payments also apply to cross-program recovery of OASDI overpayments, the State supplementary payment should be considered when determining the amount to collect from an individual's monthly SSI payment. See Appendix D for related information.

¹² To compute the interest earned on amounts recovered from individuals receiving SSI we assumed the estimated amount of funds recovered in a 21-month period (about \$2,568,541) is collected in equal monthly amounts (about \$122,312). We multiplied the total monthly balance of funds collected using cross-program recovery by 1/12 of 4.57 percent (annualized interest rate for fiscal year beginning October 1, 2005, as reported by the Financial Management Service, a bureau of the Department of the Treasury).

SSA DID NOT ALWAYS USE CROSS-PROGRAM RECOVERY TO COLLECT SSI OVERPAYMENTS, AS REQUIRED BY AGENCY POLICY

The Agency did not always use mandatory cross-program recovery to collect SSI overpayments from OASDI payments. Existing Agency policy requires that the Agency collect SSI overpayments from monthly OASDI benefits. By not always using cross-program recovery, the Agency did not reduce monthly OASDI payments made to some individuals who had SSI overpayments.

Before SSPA, SSA had limited authority to use cross-program recovery to collect SSI overpayments from OASDI benefit payments. In October 1998, the *Noncitizen Benefit Clarification and Other Technical Amendments Act of 1998*¹³ added section 1147 of the *Social Security Act*, authorizing the Agency to collect an SSI overpayment by withholding up to 10 percent of the OASDI benefit without the overpaid individual's consent. Until February 2002, SSA continued to obtain signed statements from individuals giving SSA permission to withhold monies from OASDI benefit payments to recover SSI overpayments. Further, this type of cross-program recovery could only occur if the individuals were no longer eligible for SSI payments.

In February 2002, SSA implemented a policy for mandatory cross-program recovery.¹⁴ The March 2004 enactment of SSPA reaffirmed the Agency's authority to collect SSI overpayments from OASDI benefit payments. SSA uses the automated selection of debts in the Recovery and Collection of Overpayments (RECOOP) system to collect SSI overpayments from monthly OASDI benefit payments. SSA uses a manual process when the debt is not in RECOOP.

SSA Did Not Always Comply with its Mandatory Cross-Program Recovery of SSI Overpayments

Our review of the data extract found SSA did not always collect SSI overpayments when individuals were receiving OASDI benefit payments. Our review of the May 2006 data identified 1,502 individuals who were receiving OASDI payments who had SSI overpayment indicators on their records. The SSI

overpayments totaled about \$1.4 million. Mandatory cross-program recovery was not being used to collect the SSI overpayments.

We estimate, as of May 2006, there were about 30,000 individuals receiving OASDI payments who also had about \$27.4 million with SSI overpayment indicators on their records. For a 21-month period the Agency could collect a maximum of about \$13.4 million of the SSI overpayments using cross-program recovery.

¹³ Public Law 105-306 § 8.

¹⁴ POMS, Supplemental Security Income (SI) 02220.020, *Cross Program Recovery of SSI Overpayments from Monthly Title II Benefits*.

For example, one individual had a \$2,035 SSI overpayment. This individual received a monthly OASDI benefit payment of \$1,001. If cross-program recovery was used, SSA could withhold a maximum of about \$100 a month from the OASDI benefit payment. Over a 12-month period, the Agency could recover \$1,200 in SSI overpayments and reduce the overpayment balance to \$835.

To determine why SSA did not use cross-program recovery, we met with staff of the Deputy Commissioner for Budget, Finance and Management's Office of Payment and Recovery Policy to discuss the 1,502 individuals we identified. Agency staff agreed to review information for three individuals. Staff indicated one individual's overpayment was referred to the Department of Justice for collection, and this action precluded SSA from taking further action.

For the remaining two overpayments, Agency staff indicated "manual cross-program recovery" should have occurred. Both overpayments were excluded from RECOOP system processing. Staff indicated for one individual, their record was not converted from the Interim Billing and Follow-up System to RECOOP when the conversion was done in 1995. For the remaining individual, staff indicated the Agency "...revised POMS to manually impose CPR [cross-program recovery] on EO1 [eligible but no payment due] cases that meet the criteria."¹⁵

¹⁵ POMS, SI 02220.020, *Cross Program Recovery of SSI Overpayments from Monthly Title II Benefits*.

Conclusions and Recommendations

Before SSPA was enacted, the Agency was only authorized to use cross-program recovery for the collection of SSI overpayments from OASDI benefit payments. Enactment of SSPA provided SSA additional authority to recover OASDI overpayments, and reaffirmed the Agency's authority to collect SSI overpayments. We found SSA was not always exercising this authority. As of May 2006, we estimate a maximum of about \$69.1 million in OASDI and SSI overpayments were available for cross-program recovery. We recognize SSA may not use cross-program recovery in all instances. However, if such collection action is determined appropriate, we estimate for the records we examined a maximum of about \$17 million of the overpayments could be recovered in a 21-month period.

SSA could improve its management controls over cross-program recovery. By implementing appropriate policies and procedures, and information systems support, the Agency could effectively and efficiently use cross-program recovery as a debt collection tool for OASDI overpayments. Also, the Agency should fully comply with its existing policy for mandatory cross-program recovery of SSI overpayments. Use of cross-program recovery will enable the return of monies to the trust funds, therefore allowing those funds to earn interest. We estimate the interest not earned on the OASDI trust funds to be a maximum of about \$149,000 over a 21-month period. Furthermore, the use of cross-program recovery would reduce the risk that some overpayments would not be collected.

RECOMMENDATIONS

We recommend SSA:

1. Implement the authority to use cross-program recovery to collect OASDI overpayments.
2. Comply with its policy for mandatory cross-program recovery of SSI overpayments.
3. Review the individuals we identified that had SSI overpayment indicators and were receiving OASDI benefit payments, to determine whether mandatory cross-program recovery should occur.

AGENCY COMMENTS

SSA generally agreed with our recommendations. Concerning Recommendation 3, the Agency indicated it is likely that a significant portion of the SSI overpayments identified in this audit were pending action to begin cross-program recovery per Agency policies and regulations. SSA's comments are included in Appendix D.

OIG RESPONSE

In response to the Agency's concerns about the individuals identified as subject to mandatory cross-program recovery, we are providing additional information. As of May 2006, we identified 1,502 individuals who met the Agency's criteria for manual cross-program recovery, as specified in Program Operations Manual System, SI 02220.020.C.2.a. Of the 1,502 individuals, Agency staff agreed to review information for 3 individuals. SSA staff confirmed manual cross-program recovery should have occurred for the debt of two individuals, and one individual's debt was referred to the Department of Justice for collection.

To address the Agency's request that we screen-out individuals with cross-program recovery exclusions, we randomly selected and reviewed the records for 30 of the 1,502 individuals identified to determine whether, as of May 2006, these individuals had pending waiver or reconsideration requests or responded within 60 days to the Agency's initial notice of overpayment. We found none of these conditions were applicable for 29 of the 30 individuals. For one individual, the 60-day time period had not expired in May 2006. Therefore, we reaffirm our recommendation that SSA determine whether mandatory cross-program recovery should occur for these 1,502 individuals.

Appendices

Appendix A

Acronyms

OASDI	Old-Age, Survivors and Disability Insurance
MBR	Master Beneficiary Record
RECOOP	Recovery and Collection of Overpayments
ROAR	Recovery of Overpayments Accounting and Reporting System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSPA	<i>Social Security Protection Act of 2004</i>
SSR	Supplemental Security Record
SVB	Special Veterans Benefit

Scope and Methodology

To accomplish our audit objective, we:

- Reviewed Federal laws, regulations, and Social Security Administration's (SSA) policies and procedures related to cross-program recovery efforts.
- Identified and reviewed prior Office of the Inspector General reports.
- Interviewed and conducted meetings with SSA officials.
- Obtained and analyzed three electronic data extracts of information recorded in the Agency's Supplemental Security Record (SSR), Master Beneficiary Record (MBR) and Recovery of Overpayments Accounting and Reporting (ROAR) systems.
- Reviewed critical data elements within the SSRs, MBRs and ROAR system.
- Compared and reconciled overpayment amounts recorded in SSA's records to benefit payment amounts reported in the data extracts.
- Determined whether SSA was collecting Old-Age, Survivors and Disability Insurance (OASDI) overpayments from Supplemental Security Income (SSI) payments. Also determined whether SSA was collecting SSI overpayments from OASDI benefit payments. We excluded those instances where individuals had both OASDI and SSI overpayment indicators on their records. In these instances, the records had indicators of on-going collection activities by the Agency.
- Quantified the overpayment amounts and amounts available to SSA for collection, if cross-program recovery of these funds occurred.

We conducted our review between May and October 2006 in Baltimore, Maryland. We determined that the data used in this report were sufficiently reliable given our review objectives and intended use of the data. The electronic data used in our review were primarily extracted from the SSR, MBR and ROAR system. We assessed the reliability of the electronic data by reviewing the electronic data extract for all the data elements needed to meet our objective. We also traced information from the data extract to the MBR, SSR and ROAR source database. Finally, we verified the data extract contained the information we requested. The principal entity audited was the Office of Income Security Programs under the Deputy Commissioner for Disability and Income Security Programs. We conducted our audit in accordance with generally accepted government auditing standards.

Estimation Methodology

We obtained and analyzed three electronic data extracts of information taken from the Agency's Master Beneficiary (MBR) and Supplemental Security Records (SSR). The MBR and SSR are comprised of 20 specific groupings of records called "segments." The three data extracts we reviewed were comprised of information taken from one MBR/SSR segment. The characteristic/result for one segment can be multiplied by 20 to estimate the existence of that characteristic/result in the MBR/SSR population. Based on our analysis, we developed estimates for the collection of overpayments using cross-program recovery when individuals receive Supplemental Security Income (SSI) payments, concurrent SSI and Old-Age, Survivors and Disability Insurance (OASDI) payments, and OASDI payments.

Excluded from our review and estimates are individuals that had both OASDI and SSI overpayment indicators on their records. In these instances, the records had indicators of on-going collection activities by the Agency.

The three data extracts we reviewed contained information recorded on the MBRs and SSRs as of May 18, 2006. First, we reviewed a data extract of information pertaining to individuals receiving SSI payments having OASDI overpayment indicators on their records. Second, we analyzed a data extract of information pertaining to individuals concurrently receiving SSI and OASDI payments having either (1) OASDI overpayment indicators on their records; (2) SSI overpayment indicators on their records; or (3) OASDI and SSI overpayment indicators on their records. Finally, we examined a data extract of information pertaining to individuals receiving OASDI payments having SSI overpayment indicators on their records. None of the individuals included in the data extracts had underpayment indicators on their records. Based on our review objective, we removed those records with overpayment indicators that were not eligible for cross-program recovery efforts.

OASDI Overpayments Collected Using Cross-Program Recovery When Individuals Received SSI Payments

In the first data extract we reviewed, there were 72 records with OASDI overpayments totaling about \$401,942 for individuals receiving only SSI payments. None of these records had indicators of on-going collection activities by the Agency. We multiplied 72 and \$401,942 by 20 to develop estimates for the number of records having OASDI overpayments, and the amount of those overpayments. When individuals receive SSI payments, we estimate 1,440 records have \$8,038,844 in OASDI overpayments as of May 18, 2006.

We determined the maximum estimated amount of OASDI overpayments that could be collected using cross-program recovery when individuals receive SSI payments. The following methodology was used.

- We multiplied the monthly SSI payments indicated for each of the 72 records by the maximum percent (10 percent) that could be collected using cross-program recovery. The monthly SSI payment amounts, where applicable, included the State supplementary payments.¹⁶ If existing Agency policy¹⁷ for the recovery of SSI overpayments apply to cross-program recovery of OASDI overpayments, State supplementary payments should be considered when determining the maximum amount that could be collected from monthly SSI payments. Therefore, our computations included these amounts where appropriate.
- We performed the above computation for 21 consecutive monthly payments or until the total amounts of the OASDI overpayments indicated for the 72 records were fully recovered. Our computations assumed: (1) there were no changes to the monthly SSI payments during this 21-month period; and (2) the maximum amount was collected each month from the payments. For the 72 records, a maximum of \$49,962 could be collected over a 21-month period from SSI payments using cross-program recovery to collect OASDI overpayments.
- We used the results of our computations for the 72 records (one segment) to estimate the total amount that could be collected from SSI payments for OASDI overpayments over a 21-month period. We estimate a maximum of \$999,247 could be collected from SSI payments using cross-program recovery to collect OASDI overpayments. Of this amount, we estimate \$515,488 could be collected during the period from June 2006 through February 2007. The remaining \$483,759 could be collected from March 2007 through February 2008.

OASDI Overpayments Collected Using Cross-Program Recovery When Individuals Concurrently Received SSI and OASDI Payments

In the second data extract we reviewed, there were 1,319 records with OASDI overpayments totaling \$1,682,615 for individuals concurrently receiving SSI and OASDI payments. We multiplied 1,319 and \$1,682,615 by 20 to develop estimates for the number of records having OASDI overpayments, and the amount of those overpayments subject to cross-program recovery. When individuals concurrently receive SSI and OASDI payments, we estimate 26,380 records have \$33,652,293 in OASDI overpayments as of May 18, 2006.

¹⁶ Program Operations Manual System (POMS) SI 01401.001, states "in addition to the Federal supplemental security income (SSI) payment, States may provide additional benefits to their own recipients in recognition of the variations in living costs from one State to another and for the special needs of some individuals."

¹⁷ POMS SI 02220.016.

We used a rather unique estimating methodology for those individuals concurrently receiving SSI and OASDI payments, to determine the maximum estimated amount of OASDI overpayments that could be collected using cross-program recovery. The methodology was based, in part, on sampling and excluding certain records from our estimates. None of the 1,319 records we identified had indicators that cross-program recovery was being used to withhold SSI payments to offset the OASDI overpayments. However, we used sampling results to exclude from our estimates those records with indicators that the Agency was withholding a portion of the monthly OASDI payments to collect OASDI overpayments. The following methodology was used.

- Of the 1,319 records we randomly selected and examined SSRs and MBRs for 100 individuals. We found records for 46 individuals had no indication that the Agency was collecting OASDI overpayments by withholding a portion of the monthly OASDI payments. None of these records indicated State supplementary payments were being received. Using this information, we estimate 607 of the 1,319 records did not have portions of monthly OASDI payments withheld to collect OASDI overpayments.
- We multiplied the monthly SSI payments indicated for each of the 46 records by the maximum percent (10 percent) that could be collected using cross-program recovery. Again, this computation was performed for 21 consecutive monthly payments or until the total amounts of the OASDI overpayments were fully recovered. Similar to the previously discussed methodology, our computations assumed: (1) there were no changes to the monthly SSI payments during the 21-month period; and (2) the maximum amount was collected each month from the payments. For the 46 records, a maximum of \$9,735 could be collected over a 21-month period from SSI payments. Using this information, for the 607 records we estimate a maximum of \$128,427 could be collected over the same period for the OASDI overpayments.
- The estimates for the 607 records (one segment) were used to calculate the total amount that could be collected from SSI payments for OASDI overpayments when individuals concurrently received SSI and OASDI payments. Over a 21-month period, we estimate a maximum of \$2,568,541 could be collected from SSI payments using cross-program recovery to collect OASDI overpayments. We estimate \$1,519,000 could be collected during the period from June 2006 through February 2007. The remaining \$1,049,541 could be collected from March 2007 through February 2008.

SSI Overpayments Collected Using Cross-Program Recovery When Individuals Received OASDI Payments

In the third data extract we reviewed, there were 1,502 records with SSI overpayments totaling \$1,367,670 for individuals receiving OASDI payments. None of these records had indicators of on-going collection activities by the Agency. We multiplied 1,502 and \$1,367,670 by 20 to develop estimates for the number of records having SSI

overpayments, and the amount of those overpayments. When individuals receive OASDI payments, we estimate 30,040 records have \$27,353,404 in SSI overpayments as of May 18, 2006.

We estimated the amount of SSI overpayments that could be collected from OASDI payments by applying the methodology we used to compute the collection of OASDI overpayments from SSI payments. Similar to the previously discussed methodology, the collections from OASDI payments pertain to records which indicated these were the only payments individuals received. For the 1,502 records, a maximum of \$667,665 could be collected over a 21-month period from OASDI payments using cross-program recovery. Based on our calculations, we estimate SSA can recover a maximum of \$13,353,291 in SSI overpayments from individuals receiving OASDI payments. Of the \$13,353,291, a total of \$8,789,634 could be collected from June 2006 through February 2007. The remaining \$4,563,657 could be collected during the next 12-month period.

Appendix D

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: May 31, 2007 **Refer To:** S1J-3

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

From: Larry W. Dye /s/

Subject: **Office of the Inspector General (OIG) Draft Report, “Cross-Program Recovery of Benefit Overpayments” (A-13-06-16031)--INFORMATION**

We appreciate OIG's efforts in conducting this review. Our comments on the draft report's content and recommendations are attached.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment:

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "CROSS-PROGRAM RECOVERY OF BENEFIT OVERPAYMENTS" (A-13-06-16031)

Thank you for the opportunity to review and comment on the draft report findings and recommendations. We are disappointed that the report does not fully acknowledge the Agency's efforts in working toward implementation of the mandated Cross-Program Recovery (CPR) provisions as called for in the Social Security Protection Act (SSPA) of 2004. The complicated nature of our programs and systems, as well as the sensitive issue of collection from the low income Supplemental Security Income (SSI) program recipients requires that we implement CPR carefully (in phases) in order to avoid additional payment errors. The next phase of CPR, the collection of Old Age Survivors and Disability Insurance (OASDI) debts from SSI underpayments, will be implemented in August 2007. Also, as indicated in our response to the recommendations below, we have submitted for funding through the Information Technology Advisory Board (ITAB) resource allocation process a number of system enhancements to assist in implementing CPR initiatives. The report should acknowledge that the Agency is pursuing implementation of all facets of CPR as resources allow.

Regarding the results of the sample, OIG identified 1,502 individuals with overpayment indicators on their SSI record, but whose overpayments were not being collected from their OASDI benefits. Of those cases, only three were reviewed to determine why CPR was not in place. Specifically, OIG reports that one was correctly excluded from CPR while the other two required manual processing by the Agency to impose CPR. While OIG's methodology states that OIG "removed those records with overpayment indicators that were not eligible for cross-program recovery efforts," however, there is no indication that OIG screened out all cases which would preclude CPR on SSI records as indicated in Program Operations Manual System SI 0220.020.A.2. Additionally, the methodology does not address whether or not OIG considered SSI overpayments pending due process or awaiting manual diary resolution. In summary, there are a number of legitimate reasons that cases are correctly excluded from CPR. It is possible that a significant portion of the SSI overpayments identified in this audit were pending action to begin CPR per Agency policies and regulations. Our responses to the specific recommendations, as well as some technical comments, are provided below.

Recommendation 1

SSA should implement the authority to use cross-program recovery to collect OASDI overpayments.

Response

We agree. It should be noted that there have been several previous system releases, prior to this one, which have supported the expanded authority given to us in the SSPA legislation for CPR. In August 2007, we will implement recovery of OASDI overpayments from SSI underpayments. The proposal to implement recovery of OASDI overpayments from ongoing monthly SSI payments is pending the outcome of the July ITAB decisions.

Recommendation 2

SSA should comply with its policy for mandatory cross-program recovery of SSI overpayments.

Response

We agree. We have automated the collection of SSI overpayments from OASDI benefits. However, some cases are excluded from automated processing and others are pending mandatory due process actions prior to collection by CPR. During due process, cases will show pending overpayments, but are restricted from CPR until due process is complete. Most due process on overpayments is automated. The cases requiring manual due process actions are controlled by a diary system in the field offices.

A systems' proposal to automate the selection of SSI debts that are not in the Recovery and Collection of Overpayment Process has been considered repeatedly through the ITAB system resource allocation process, but the proposal has fallen below the line and remains unfunded.

Recommendation 3

SSA should review the individuals we identified that had SSI overpayment indicators and were receiving OASDI benefit payments to determine whether mandatory cross-program recovery should occur.

Response

As noted in paragraph 2, we are concerned that the cases in this sample included cases that were correctly excluded from CPR (i.e., were pending manual action, were in due process). Since it is likely that a significant portion of the SSI overpayments identified in this audit were pending action to begin CPR per Agency policies and regulations, we request that OIG screen-out cases with legitimate CPR exclusions prior to providing us with the listing. We will then review the cases as Agency resources permit.

[In addition to the information listed above, SSA also provided technical comments which have been addressed, where appropriate, in this report.]

Appendix E

OIG Contacts and Staff Acknowledgments

OIG Contacts

Shirley E. Todd, Director, General Management Audit Division, (410) 966-9365

Randy Townsley, Audit Manager, General Management Audit Division, (410) 966-1039

Acknowledgments

In addition to those named above:

Linda Webster, Auditor-in-Charge

Nicole Gordon, Auditor

N. Brennan Kraje, Statistician

For additional copies of this report, please visit our web site at
www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-13-06-16031.

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