
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ADJUSTMENT OF
OVERPAYMENT BALANCES RELATED
TO TITLE II CRITICAL PAYMENTS**

January 2008

A-04-07-17028

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.



SOCIAL SECURITY

MEMORANDUM

Date: January 22, 2008

Refer To:

To: The Commissioner

From: Inspector General

Subject: Adjustment of Overpayment Balances Related to Title II Critical Payments
(A-04-07-17028)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) properly adjusted overpayment balances after it issued certain Title II critical payments. Specifically, our work focused on critical payments made after SSA withheld all or part of a beneficiary's monthly payment to recover a previous overpayment.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*, as amended. The Title II program provides monthly benefits to qualified retirees, survivors, and disabled individuals, as well as their eligible dependents. SSA's goal is to issue these benefits timely and accurately. However, several factors affect a beneficiary's payment amount or, potentially, their entitlement. For example, changes in a beneficiary's earnings, marital status or disability could affect their benefit. When such events are not reported and processed timely or accurately, some beneficiaries receive more benefits than they are due and are "overpaid."

When SSA determines a beneficiary has been overpaid, it initiates recovery actions. SSA first sends the beneficiary written notification of the overpayment and offers the beneficiary several options to resolve the debt. For small overpayments, individuals may elect to have SSA collect the entire overpayment from the next month's benefits. For larger debts, beneficiaries can have SSA deduct partial payments from ongoing monthly benefits. If the beneficiary disputes the overpayment, he or she can ask SSA to waive or reconsider it. Whichever option is chosen, the beneficiary must inform SSA of the decision within 30 days of receiving the overpayment notice. If the beneficiary does not notify SSA of his or her decision, the Agency will withhold the beneficiary's entire monthly payment until the overpayment is recovered.

Withholding all or a portion of a beneficiary's monthly payment may cause a significant financial hardship. As such, if a beneficiary contacts an SSA field office (FO) and can prove a dire need¹ for the withheld payment, SSA may issue the individual a critical payment, an immediate payment, or both.

- Critical payments are processed by an FO.² However, the U.S. Department of the Treasury actually issues the payment, similar to most monthly SSA benefit payments. Generally, the beneficiary receives the payment within 5 to 7 days by mail or direct deposit.
- The FO issues the immediate payment to the beneficiary while he or she is present. The FO issues the individual a check from a supply maintained at their location. The immediate payment may not exceed \$999, or the amount of benefits due the beneficiary, whichever is less.

Both types of payments are processed through SSA's Critical Payment System (CPS) and are collectively referred to as critical payments. The CPS automatically transmits the beneficiary's name, Social Security number, critical payment amount, date of payment and reason for payment to one of SSA's program service centers (PSC). The PSC then assesses the critical payment to determine what action must be taken to adjust for the payment. In cases where an FO issued a critical payment to pay benefits withheld to collect an overpayment, the PSC must manually adjust the overpayment record.

SSA's Recovery of Overpayments, Accounting and Reporting (ROAR)³ system controls and maintains relevant information about the overpayments. When SSA withholds monthly benefits to recover an overpayment, the corresponding overpayment on the ROAR is automatically reduced. However, if SSA subsequently issues a critical payment based on the beneficiary's dire need, the PSC must complete a manual action⁴ to correct the ROAR. The action must increase the related overpayment balance or create a new overpayment in the amount of the critical payment. Table 1 provides an example of events in this process and the related ROAR actions.

¹ A beneficiary can prove dire need by providing an eviction notice, utility cut-off notice, or proof of medical expenses.

² SSA FOs process most of the critical payments issued. Certain employees at SSA teleservice centers and PSCs have authority to process/issue critical payments.

³ The ROAR system controls the recovery and collection activities related to Title II benefit overpayments. For example, the ROAR contains information regarding the amount of the overpayment, the cause of the overpayment, actions taken against the overpayment, amounts collected, and debts waived. The ROAR can record more than one overpayment event per beneficiary.

⁴ When SSA's automated systems cannot process an action to update the ROAR, PSC staff must manually process the action through the Manual Adjustment, Credit and Award Processes (MADCAP) program. The Manual Adjustment Credit and Award Data Entry system, which contains a series of data entry screens, is used to input information directly into the MADCAP program.

Table 1: Example of Events in Overpayment Recovery Actions Reviewed

Date	Event	ROAR Action
Calendar Year 2006	A beneficiary receives monthly benefits of \$750.	None
January 1, 2007	SSA determines the beneficiary has been overpaid \$500.	\$500 Overpayment recorded
February 1, 2007	SSA sends the beneficiary a written notification of the \$500 overpayment.	None
April 2, 2007	SSA deducts \$500 from the beneficiary's April payment and applies it against the overpayment.	Overpayment is reduced to \$0
April 7, 2007	The beneficiary visits a local FO, proves a dire need for benefits and requests SSA to replace the \$500 withheld. The beneficiary agrees to repay the overpayment in \$50 monthly installments—deducted from his monthly benefits. The FO issues the beneficiary a \$450 immediate payment (\$500 less the \$50 monthly installment).	None
April 25, 2007	CPS notifies the PSC that an immediate payment has been issued and requires an adjustment. PSC staff manually correct the ROAR by recording a \$450 overpayment (the amount of the immediate payment).	\$450 Overpayment recorded
May 2, 2007 through January 2, 2008	SSA deducts \$50 from each of the beneficiary's monthly payments and applies it to the overpayment.	Overpayment is reduced from \$400 to \$0

SCOPE AND METHODOLOGY

We selected critical payments recorded in SSA's Payment History Update System (PHUS) for which a benefit withholding was recorded on the ROAR system 90 days before the payment. For the period August 1, 2002 through August 31, 2005, we identified 72,883 critical payments that met our criteria. From our population of 72,883 critical payments, we randomly selected 250 payments to review. To avoid selecting critical payments issued after Hurricanes Katrina and Rita, we did not consider any critical payments the Agency made after August 31, 2005.⁵

⁵ Hurricanes Katrina and Rita struck the coastal regions of Alabama, Louisiana, Mississippi, and Texas on August 29 and September 24, 2005, respectively. To accommodate the hurricane victims, SSA was more flexible in issuing immediate payments. Because many immediate payments issued after the hurricanes may not have followed normal procedures, we did not expand the scope of our audit beyond August 31, 2005.

For each of the 250 sampled items, we determined whether the ROAR overpayment balance was properly increased to account for the critical payment. We considered an overpayment balance to be in error when it was (1) not adjusted or (2) adjusted incorrectly. We did not determine whether the FO personnel issued the critical payment appropriately or whether the overpayment balance before the critical payment was accurate.

SSA reviewed the critical payments we identified as errors. In general, SSA agreed that the overpayment balance in ROAR had not been properly adjusted to account for the critical payment. SSA agreed the necessary actions were not taken to record the resulting overpayment. SSA took corrective action on each of our error cases. In some cases, however, SSA's corrective action included adjustments unrelated to our audit objective. In these cases, we only considered the amount of the critical payment to be in error. Further information regarding our scope and methodology as well as our sampling methodology is in Appendices B and C.

RESULTS OF REVIEW

SSA did not always adjust overpayment balances when it issued certain critical payments. In special need situations, SSA agreed to issue critical payments to individuals whose benefits had been withheld to repay an earlier SSA overpayment. However, these critical payments effectively refunded the beneficiaries' payment on the SSA debt—causing another overpayment. For 73 (29 percent) of the 250 critical payments reviewed, SSA did not adjust the ROAR to account for the related overpayment. As a result, SSA did not record \$48,162 in overpayments. In total, we estimate that SSA did not account for approximately 21,282 overpayments totaling about \$14.0 million from August 1, 2002 to August 31, 2005 (see Appendix C).

In another seven instances, SSA either incorrectly adjusted the related overpayment or created a new overpayment in the wrong amount. The seven adjustment errors totaled \$3,034. For six of the seven cases, the adjustments caused the ROAR overpayment balance to be overstated. Over time, SSA would have improperly collected the excess overpayments from the beneficiaries.

We believe the PSCs did not always recognize and record these overpayments because the information provided by CPS did not prompt staff to make the needed adjustment. Additionally, controls could be improved at the PSCs to ensure responsible personnel identify and properly adjust these types of overpayments in the future.

OVERPAYMENT BALANCES WERE NOT ADJUSTED TO ACCOUNT FOR THE CRITICAL PAYMENT

For 73 (29 percent) of the 250 critical payments we reviewed, SSA did not adjust the ROAR to account for the resulting overpayment. In total, SSA did not record \$48,162 in overpayments that individually ranged up to \$1,943. We estimate that SSA did not account for approximately 21,282 overpayments totaling about \$14.0 million from August 1, 2002 to August 31, 2005. See Appendix C for our projection methodology.

In certain dire need situations, SSA issued critical payments to individuals whose benefits were withheld to repay a previous SSA overpayment. In doing so, the critical payments effectively returned the beneficiaries' payment on the existing SSA debt—causing another overpayment. To account for this overpayment, PSC staff must take a manual action to record the overpayment on the ROAR. However, PSC staff did not always do so. To ensure future overpayments related to critical payments are identified and properly adjusted, better information is needed from the CPS and controls should be improved at the PSCs.

PSCs Need Better Information from the CPS

For 21 of the 73 (29 percent) critical payments that caused an overpayment, FO staff did not indicate in CPS an overpayment was involved. When a critical payment is processed through CPS, the system alerts a PSC of the event. Technicians in PSCs are responsible for reviewing the appropriateness of critical payments and making necessary system adjustments. To process or clear the alert, PSC staff must adjust CPS to account for the critical payment. In other words, PSC staff must tell CPS that the resulting overpayment will be recovered from ongoing benefits or no further action is necessary.

Our sample of critical payments, in effect, refunded benefits that were withheld to collect an overpayment—causing another overpayment. Consequently, PSC staff should have reestablished the overpayment to enable future collection. However, because SSA issues critical payments for various reasons and not all critical payments impact an overpayment, PSCs cannot always readily identify which alerts require a ROAR adjustment.⁶ As such, PSC staff must rely on information FO staff record in CPS to determine whether an overpayment is involved. Typically, PSC staff rely on the explanation recorded in the Nature of Problem Field (NPF).

Vague Explanations Caused Additional Work for PSC Staff

The NPF is a text field in which FO staff should type comments justifying the critical payment and provide any additional information relevant to the case. The amount and type of information contained in the explanation is at the author's discretion. We understand the NPF provides a mechanism for staff to record information unique to each case. However, the

⁶ For example, a critical payment may be issued when a benefit check was undeliverable, or an SSA system error delayed or stopped benefit payments.

information in the NPF is ultimately subject to the PSC staffs' interpretation. If the NPF explanation is vague, the burden falls on PSC staff to further research the issue. The adjustment to the ROAR may not occur when the NPF does not mention, or is vague as to an overpayment, unless PSC staff takes additional time to investigate the matter.

For example, in one case, the NPF field did not mention the critical payment involved an overpayment. The NPF stated "need income for monthly expenses." In this case, the beneficiary's full monthly benefit of \$1,389 was withheld to recover an overpayment. Shortly after the benefits were withheld, SSA issued a \$1,389 critical payment to replace the benefits because the beneficiary proved a dire need for money to pay for monthly living expenses. However, we found no evidence in the ROAR that SSA adjusted the related overpayment to indicate that the beneficiary still owed the \$1,389. Instead, the ROAR indicated the overpayment was closed, and no further collection actions were required. SSA agreed that the ROAR was not adjusted to account for the overpayment resulting from the CPS. Subsequently, SSA took corrective action to recover the critical payment by posting a \$1,389 overpayment on the ROAR.

Critical payments are issued for various reasons, and not all critical payments involve an overpayment. To ensure PSC staff identifies overpayments, we believe CPS should be modified to include an indicator (such as a code) that specifies an overpayment is involved and may require a ROAR adjustment. The indicator should then be included in the alert information provided to the responsible PSC.

PSC Controls Should be Improved

For 52 (71 percent) of the 73 error cases, FO personnel did annotate in the NPF that an overpayment was involved. When the NPF indicates an overpayment is involved, PSC staff should recognize that an action in addition to the usual CPS adjustment to adjust the ROAR for the overpayment is needed. However, in these 52 cases, PSC personnel did not take the appropriate actions to account for the overpayment. Although the CPS indicated the appropriate adjustments were made to account for the critical payment, the PSC staff failed to correct the ROAR.

CPS Alerts Were Cleared Without Properly Adjusting Overpayment Balances

Critical payment alerts are part of the PSC's workload. To process or clear the alerts, the PSC staff must only adjust the CPS to account for the critical payment transaction. Effectively, the adjustment shows the PSCs determined that (1) an overpayment occurred but has been properly accounted or (2) the critical payment did not cause an overpayment and no further action is needed. Either decision eliminates the alert from the workload. However, if an overpayment is involved and requires a ROAR adjustment, the existing controls do not ensure the adjustment is made.

At the time of our audit, PSC managers were not receiving information that detailed the critical payment alerts involving an overpayment. As discussed earlier, we suggested

that CPS include an indicator regarding overpayment involvement. The indicator would be included in the alert. Also, PSC managers could receive a list of the critical payments that require a ROAR adjustment. With this information, they could periodically review a sample of actions taken to ensure the accuracy of this workload.

SOME ADJUSTMENTS MADE TO THE ROAR WERE INCORRECT

We also identified seven instances in which SSA incorrectly adjusted the ROAR to account for a critical payment. In these cases, SSA either inaccurately adjusted the related overpayment or created a new overpayment in the wrong amount. The seven adjustment errors totaled \$3,034. In six of the seven cases, the adjustments caused the ROAR overpayment balance to be overstated.

In one case, SSA only posted a \$350 overpayment to the beneficiary's ROAR instead of the \$461 that was required. The beneficiary's entire monthly benefit of \$865 was withheld to reduce an existing overpayment. The beneficiary subsequently expressed a dire need for benefits. SSA issued a critical payment of \$461—\$865 less \$350 for overpayment recovery and \$54 for supplemental medical insurance. However, instead of reinstating an overpayment of \$461, SSA mistakenly posted a \$350 overpayment. SSA agreed the adjustment was incorrect and took corrective action to show the additional \$111 overpayment.

In the remaining six cases, SSA posted excess overpayments to account for the critical payments. In total, the beneficiaries would have repaid \$2,923 more than what was owed to SSA. Table 2 details the six cases in which SSA reinstated an excess amount of overpayment. Based on our review, SSA initiated corrective action to return the additional benefits that were erroneously withheld or to correct the overpayment balance.

Table 2: Excess Overpayment Adjustments

	Critical Payment Amount	Overpayment Adjustment Amount	Excess Overpayment Amount
1	\$597.00	\$1,526	\$929.00
2	1,053.00	1,910.20	857.20
3	754.00	754.00	754.00
4	665.00	865.00	200.00
5	513.00	629.60	116.60
6	675.00	741.60	66.60
Total			\$2,923.40

For Item 1, SSA withheld the beneficiary's entire monthly benefit of \$647 to recover a \$1,576 overpayment. Because the Title II benefit was the only source of income, the beneficiary claimed a dire need for money to pay rent and buy food. Accordingly, SSA issued a \$597 critical payment. SSA withheld \$50 from the payment as an offset against the overpayment. SSA subsequently posted a new overpayment to the ROAR to account for the critical payment. However, SSA posted a new overpayment of

\$1,526 (the original overpayment amount less the \$50 partial recovery) instead of the \$597 critical payment amount. As a result, a \$929 excess overpayment was recorded and collected. SSA agreed with our analysis and has returned the \$929 to the beneficiary.

For Item 3, SSA initially withheld the beneficiary's entire \$886 monthly benefit to recover an existing \$69 overpayment. Because SSA withheld more benefits than needed to recover the overpayment, SSA issued the beneficiary a \$754 critical payment (net the \$69 overpayment and the supplement medical insurance). However, SSA then mistakenly created a new \$754 overpayment to recover the critical payment. As a result, the beneficiary had an erroneous \$754 overpayment placed on his record. SSA has corrected the overpayment record.

CONCLUSION AND RECOMMENDATIONS

SSA did not always reinstate overpayments after certain Title II critical payments were issued. In dire need cases, SSA issued critical payments to pay benefits that had been withheld to collect an overpayment. Because the overpayment balance was reduced before the critical payment, SSA should have corrected the ROAR to reflect the reversal of a benefit withholding. In short, SSA should have increased the overpayment by the amount of the critical payment.

The PSCs are responsible for adjusting the CPS for the critical payment transaction and when necessary, correcting the ROAR. Because critical payments are issued for various reasons, PSCs must rely on information FO staff record in CPS. However, the FO explanations did not always explain that the critical payment involved an overpayment. Also, to our concern, some overpayments were not recorded to the ROAR, even when the FO explanation adequately detailed an overpayment was involved. We determined that PSC managers did not have information that specifically flagged overpayment-related transactions. As such, CPS could be adjusted to account for a critical payment transaction, and the alert cleared from the PSC workload, without the necessary ROAR adjustment. We believe improved controls would help ensure that the necessary ROAR adjustments are made. Accordingly, we recommend SSA take the following actions.

1. Modify the CPS to include an indicator (such as a code) that specifies a critical payment was issued to replace an overpayment benefit withholding. The new code, like the NPF field, should be included in the alert information provided to the PSCs. In practice, the new code should enable PSC staff to recognize that a ROAR adjustment is probably needed.
2. Modify the Manual Adjustment Credit and Award Data Entry system to ask PSC staff whether the critical payment adjustment also requires an action to account for an overpayment. PSC staff should be prevented from processing the action until this question is answered.

3. Until the previous system modifications are made, require CPS users to include a standardized entry in the NPF when a critical payment was issued to replace an overpayment benefit withholding. This language should alert PSC personnel that a ROAR adjustment may be needed for the overpayment.
4. Until the previous system modifications are made, issue a reminder to PSC staff outlining actions required to properly adjust the ROAR when critical payments are issued to replace an overpayment benefit withholding.
5. Periodically perform a supervisory review on a sample of completed CPS alerts with overpayment indicators. The review should ensure overpayments were properly adjusted.

AGENCY COMMENTS AND OIG RESPONSE

SSA generally agreed with four of our five recommendations. The Agency agreed with our first recommendation but qualified its concurrence by stating information technology resources are not available to make the recommended system change. SSA disagreed with our second recommendation. SSA stated that, in addition to limited information technology resources, continually placing prompts and alerts in automated workload paths leads to user overload, which eventually mitigates the benefit of the added control. Further, the Agency believes implementing the other non-system related recommendations will improve the accuracy in processing the critical payment workload.

Although we acknowledge SSA's workloads are competing for limited resources, we believe SSA should consider the information technology-related recommendations in future system enhancements as resources become available. Moreover, regarding Recommendation 2, we believe the recommended system prompt would be beneficial to users as a visual reminder to consider necessary overpayment adjustments.



Patrick P. O'Carroll, Jr.

Appendices

[**APPENDIX A**](#) – Acronyms

[**APPENDIX B**](#) – Scope and Methodology

[**APPENDIX C**](#) – Sampling Methodology and Results

[**APPENDIX D**](#) – Agency Comments

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

Appendix A

Acronyms

CPS	Critical Payment System
FO	Field Office
MADCAP	Manual Adjustment, Credit and Award Processes
NPF	Nature of Problem Field
OIG	Office of the Inspector General
PHUS	Payment History Update System
PSC	Program Service Center
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration

Scope and Methodology

To accomplish our objective, we first identified Title II critical payments that were issued to replace benefits that were withheld to recover an overpayment.¹ To do so, we selected critical payments recorded in the Social Security Administration's (SSA) Payment History Update System (PHUS) for which a benefit withholding was recorded on the Recovery of Overpayments, Accounting and Reporting (ROAR) system 90 days before the payment. For the period August 1, 2002 through August 31, 2005, we identified 72,883 critical payments that met our criteria. From our population of 72,883 critical payments, we randomly selected 250 payments for testing.

For each of the 250 sampled items, we determined whether the ROAR overpayment balance was properly adjusted (increased) to account for the critical payment. We considered an overpayment balance to be in error when the overpayment balance was (1) not adjusted or (2) adjusted incorrectly.

Our review did not test to determine whether (1) the issuance of the critical payment was appropriate or (2) the overpayment balance before the critical payment was accurate.

To avoid selecting critical payments issued after Hurricanes Katrina and Rita, we did not consider any critical payments the Agency made after August 31, 2005.² In our September 2006 report, *The Social Security Administration's Service Delivery to Individuals and Beneficiaries Affected by Hurricanes Katrina and Rita* (A-06-06-26072), we discussed how the mass evacuation and relocation of residents from the affected areas made it difficult for SSA beneficiaries to receive their benefit checks or even access benefits that were direct deposited. To better serve its customers during this challenging time, SSA was more flexible in issuing immediate payments. As expected, the number of critical payments issued in the months following the hurricanes increased dramatically. Knowing that many immediate payments issued after Hurricanes Katrina and Rita may not have followed normal procedures, we did not expand the scope of our audit beyond August 31, 2005.

¹ SSA processes both immediate payments and critical payments through their Critical Payment System. Both types of payments are similarly accounted for on the PHUS, and are generally referred to as critical payments.

² Hurricane Katrina and Rita struck the coastal regions of Alabama, Louisiana, Mississippi, and Texas on August 29, 2005 and September 24, 2005, respectively. Approximately 1 million beneficiaries and recipients receiving approximately \$700 million in monthly benefit payments were affected.

We requested SSA review the critical payments we identified as errors—those for which the Agency had not properly adjusted the overpayment balance in the ROAR. In general, SSA agreed that a corrective action was required on each of our error cases to record the unrecognized overpayment.

In some cases, SSA's corrective actions included adjustments for events that were unrelated to the sampled critical payment. As a result, SSA's corrective action may not have equaled the amount of the critical payment. In these cases we only considered the amount of the critical payment in error.

We also:

- Reviewed relevant laws and SSA's policies and procedures pertaining to the Title II program, issuing critical payments, and accounting for overpayments.
- Reviewed previous Office of the Inspector General reports pertaining to critical payments.
- Interviewed SSA personnel to obtain an understanding of the procedures for processing a request for a critical payment and the subsequent actions needed to account for the resulting overpayment.
- Queried SSA's PHUS, Critical Payment System, the Retirement, Survivors, and Disability Insurance Payment History and Worksheet; the Master Beneficiary Record; and the Online Retrieval System.

Our review of internal controls was limited to obtaining an understanding of SSA's procedures and controls for adjusting the ROAR to account for overpayments resulting from Critical Payment System payments issued to replace benefits withheld to recover an overpayment. We generally relied on data obtained from the ROAR and PHUS. We determined these data were sufficiently reliable to satisfy our audit objectives.

The SSA entity audited was the Office of Operations. We conducted the audit between December 2006 and June 2007 in Atlanta, Georgia, and the Southeastern Program Service Center in Birmingham, Alabama. 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.

Sampling Methodology and Results

Sampling Methodology

We reviewed a random sample of 250 Title II critical and immediate payments, (collectively referred to as critical payments) issued to replace benefits that were withheld to recover an overpayment. We selected our sample from a universe of 72,883 Title II critical and immediate payments that met our selection criteria during the period August 1, 2002 through August 31, 2005. We considered an immediate and critical payment processed in the same day as one sample unit.

Critical payments are issued for various reasons. Our sampling methodology was designed to select only those critical payments issued to replace an overpayment benefit withholding that occurred within 90 days before the critical payment. Our sample included 19 critical payments that met our selection criteria, but our audit tests determined the critical payment was issued for a reason other than to replace an overpayment benefit withholding. We deemed the cases to be correct.

Sampling Results

Overall Results - Critical Payments Not Recovered via an Overpayment Adjustment – Resulting in Unrecognized Overpayments

<u>Attribute Appraisal Projections</u>	
Population and Sample Data	Number of Critical Payments
Total Population	72,883
Sample Size	250
Critical Payments Not Recovered via an Overpayment Adjustment – Resulting in Unrecognized Overpayments	73
Projection to Population	Number of Critical Payments
Lower Limit	17,843
Point Estimate	21,282
Upper Limit	24,992

<u>Variable Appraisal Projections</u>	
Population and Sample Data	Dollar Value of Critical Payments
Sample Dollars	\$176,660
Sample Dollars Not Recovered via an Overpayment Adjustment – Resulting in Unrecognized Overpayments	\$48,162
Projection to Population	Dollar Value of Critical Payments
Lower Limit	\$11,306,644
Point Estimate	\$14,040,881
Upper Limit	\$16,775,118

Note: All projections were made at the 90-percent confidence level.

Appendix D

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: January 7, 2008 Refer To: S1J-3

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

From: David V. Foster */s/*
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Adjustment of Overpayment Balances Related to Title II Critical Payments" (A-04-07-17028)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our response to the report findings 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 extension 54636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "ADJUSTMENT OF OVERPAYMENT BALANCES RELATED TO TITLE II CRITICAL PAYMENTS" (A-04-07-17028)

Thank you for the opportunity to review and comment on the draft report. In recent years we have launched many initiatives to automate workloads and improve workload controls. Quality staff in headquarters and the regions monitor workloads prone to error, including this Critical Payment System (CPS) workload. We acknowledge that improved controls and better automation could benefit the workload interaction between critical payments and overpayments; however, competition for Information Technology (IT) resources is very keen and we do not anticipate additional resources becoming available to make the recommended modifications to the CPS. We will, however, take action to improve accuracy by adopting the recommendations that require fewer resources and are likely to result in improved quality when making critical payments on cases with prior overpayments. Our responses to the specific recommendations are provided below:

Recommendation 1

The Social Security Administration (SSA) should modify the CPS to include an indicator (such as a code) that specifies a critical payment was issued to replace an overpayment benefit withholding. The new code, like the Nature of Problem Field (NPF), should be included in the alert information provided to the Payment Service Centers (PSC). In practice, the new code should enable PSC staff to recognize that a Recovery of Overpayments Accounting and Reporting System (ROAR) adjustment is probably needed.

Response

We agree that an indicator code notifying the PSCs that a critical payment was issued to replace a check collected towards an overpayment could be useful. However, implementation of this alert would require systems resources which are not available at this time. We believe that implementation of some of the other recommendations will accomplish the same result without expending our very limited IT resources.

Recommendation 2

SSA should modify the Manual Adjustment Credit and Award Data Entry system to ask PSC staff whether the critical payment adjustment also requires an action to account for an overpayment. PSC staff should be prevented from processing the action until this question is answered.

Response

We disagree. It has been our experience that continually placing questions, prompts and alerts in automated workload paths can lead to user overload which eventually leads to these prompts

being ignored hence losing their effectiveness. However, we believe implementation of the other non IT resource related recommendations will improve agency accuracy in processing the CPS/overpayment workload.

Recommendation 3

Until the previous system modifications are made, SSA should require CPS users to include a standardized entry in the NPF when a critical payment was issued to replace an overpayment benefit withholding. This language should alert PSC personnel that a ROAR adjustment may be needed for the overpayment.

Response

We agree. We will create standardized language for use in the NPF to alert PSC staff that a critical payment was issued when the original payment was collected toward an overpayment.

Recommendation 4

Until the previous system modifications are made, issue a reminder to PSC staff outlining actions required to properly adjust the ROAR when critical payments are issued to replace an overpayment benefit withholding.

Response

We agree. We will issue a reminder to PSC staff, by March 31, 2008, giving workload guidelines to assist them in correctly processing this type of workload action.

Recommendation 5

Periodically perform a supervisory review on a sample of completed CPS alerts with overpayment indicators. The review should ensure overpayments were properly adjusted.

Response

We agree. Currently some regions and PSCs pull random samples of critical payment actions and review them for correct processing. We will specifically ask for periodic reviews targeting those CPS alerts where overpayments are also involved.

Appendix E

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director, Southern Audit Division, (205) 801-1650

Frank Nagy, Audit Manager, (404) 562-5552

Acknowledgments

In addition to those named above:

Teaketa Turner, Senior Auditor

Luis Ramirez, Program Analyst

Charles Lober, Information Technology Specialist

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-04-07-17028.

DISTRIBUTION SCHEDULE

Commissioner of Social Security
Office of Management and Budget, Income Maintenance Branch
Chairman and Ranking Member, Committee on Ways and Means
Chief of Staff, Committee on Ways and Means
Chairman and Ranking Minority Member, Subcommittee on Social Security
Majority and Minority Staff Director, Subcommittee on Social Security
Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives
Chairman and Ranking Minority Member, Committee on Oversight and Government Reform
Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives
Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations,
House of Representatives
Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate
Chairman and Ranking Minority Member, Committee on Finance
Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy
Chairman and Ranking Minority Member, Senate Special Committee on Aging
Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Resource Management (ORM). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

Office of Investigations

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Resource Management

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.