

**U.S. Senate**

**Committee on Homeland Security & Governmental Affairs**



**Statement for the Record**

**Curbing Federal Agency Waste and Fraud:  
New Steps to Strengthen the Integrity of Federal Payments**

**The Honorable Patrick P. O'Carroll, Jr.  
Inspector General, Social Security Administration**

**May 8, 2013**

Good morning, Chairman Carper, Ranking Member Coburn, and members of the Committee. It is a pleasure to appear before you, and I thank you for the invitation to testify today, to discuss Federal agencies' efforts to reduce improper payments. This is an important undertaking across the Federal Government, as agencies work to identify causes of improper payments, and explore ways to improve payment accuracy and prevent wasteful spending.

## Improper Payments

Federal agencies reported \$108 billion in improper payments in fiscal year (FY) 2012—a small reduction from FY2011. As Federal employees, we must ensure that taxpayer dollars are spent wisely and effectively, and that government benefits are administered correctly. Improper payments are any payments from a Federal program that should not have been made or were made in an incorrect amount; I should note that not all improper payments are overpayments, as underpayments are also considered improper. This issue encompasses a number of financial transactions, including payments to vendors for services rendered, and benefit payments made to ineligible program participants. Improper payments occur for many reasons—certainly fraud, but also poor understanding of reporting responsibilities or inability to report, administrative errors, and other reasons.

Federal agencies and their inspectors general have worked closely with the Office of Management and Budget (OMB) and the Treasury to identify and reduce improper payments in recent years, as President Obama issued Executive Order 13520 on Reducing Improper Payments in 2009, and the Congress passed the *Improper Payments Elimination and Recovery Act* (IPERA) in 2010 and the *Improper Payments Elimination and Recovery Improvement Act* (IPERIA) in 2012. IPERIA included a “Do Not Pay” provision, which called for agencies to review available databases—such as the Social Security Administration’s (SSA) Death Master File (DMF) and the Treasury’s Debt Check Database—to prevent improper payments by verifying recipient eligibility before releasing Federal funds.

Since the Office of the Inspector General (OIG) at SSA was established in 1995, our primary goal has been to identify and help reduce SSA’s improper payments—a formidable task, given the large dollars involved in SSA’s benefit programs. We work toward this goal by conducting audits to identify areas for improvement in SSA’s programs and processes; and conducting criminal investigations to identify and prevent fraud. On the audit side, we recently completed reviews that identified potential SSA overpayments and underpayments.

- In [Usefulness of Department of Homeland Security Travel Data to Identify Supplemental Security Income Recipients Who Are Outside the United States](#), we estimated SSA made about \$152 million in overpayments to SSI recipients because of unreported absences from the United States between September 2009 and August 2011. SSI recipients are ineligible when outside the country for more than 30 days. We recommended SSA and DHS develop a process so that SSA could access DHS’ travel data on individuals who enter and leave the United States. As of April 2013, SSA was pursuing access to this data and developing a computer matching agreement.
- In [Controls over the Issuance of Supplemental Security Income Installment Payments](#), we estimated that SSA had not paid about \$55 million to more than 13,000 SSI recipients. These underpayments were not made because SSA did not establish controls to ensure that it made these payments after staff suspended or terminated the recipients’ SSI payments. In March 2013, SSA agreed with our recommendations and was taking action on the cases identified in the audit.

Also in FY2012, our investigators achieved \$96.5 million in SSA recoveries and restitution; and projected \$398.5 million in savings from programs such as the Cooperative Disability Investigations initiative, which detects potential fraud and reduces the number of fraudulent disability payments.

## Agency Compliance with Existing Laws

Executive Order 13520, IPERA, and IPERIA included provisions that required input from the Council of Inspectors General on Integrity and Efficiency (CIGIE). With a history of identifying SSA's improper payments, our office was asked to take a leadership role in that process. For over 3 years, the SSA OIG has served as the liaison for CIGIE to provide input to OMB, and coordinate implementation of the Executive Order and improper payment laws. This liaison role has included attending workgroup meetings, reviewing and commenting on IG and agency improper payment plans, and coordinating among OIGs, OMB, and the Treasury.

Our office, on behalf of CIGIE, recently completed the report, [\*Summary of Inspectors General Compliance with the IPERA of 2010\*](#). IPERA called for each agency's OIG to determine whether its respective agency complied with key IPERA requirements—such as publishing improper payment rates and corrective action plans—and to report on their findings annually. For the report, we reviewed OIG IPERA reports that were due in March 2012.

We reviewed 64 OIGs, and we found that almost all completed IPERA compliance reviews in a timely manner. Additionally, we found:

- 27 OIGs concluded their agency complied with IPERA;
- 11 OIGs concluded their agency did not comply with IPERA;
- 21 OIGs did not issue a report because their agency did not report high-dollar improper payments (more than \$10 million) under IPERA; and
- 5 OIGs for intelligence agencies did not make their reports available to the public.

Our report summarizes the reasons given by 11 OIGs that concluded their agency did not comply with IPERA. Some examples include:

- The Department of Health and Human Services (HHS) OIG reported that HHS had four programs that did not meet all IPERA requirements; two of the programs did not report improper payment estimates, while the other two reported improper payment rates greater than 10 percent.
- The Treasury Inspector General for Tax Administration (TIGTA) reported that the Internal Revenue Service (IRS) did not publish annual reduction targets; discuss progress toward meeting those goals; or report an improper payment rate less than 10 percent for the Earned Income Tax Credit Program.
- The U.S. Department of Agriculture (USDA) OIG reported USDA did not always report estimates for high-risk programs; provide complete information about program corrective actions; meet annual reduction targets; or report error rates below specific thresholds.

In another recent report completed on behalf of CIGIE, [\*Summary of Inspector General Reports Related to Executive Order 13520 on Improper Payments\*](#), we reviewed work done by OIGs for the six agencies with high-priority programs with significant improper payments (more than \$750 million). We found

that OIGs for those six agencies—Department of Labor, HHS, Department of Housing and Urban Development (HUD), SSA, TIGTA, and USDA—all reviewed their agency’s Accountable Official and Quarterly High-Dollar reports, as required.

Of course, as SSA’s OIG, we have specifically reviewed SSA’s actions related to IPERA and Executive Order compliance. In [a March 2013 report](#), we found the Agency accurately reported improper payment information; however, SSA could improve reporting by including information on significant changes in improper payment amounts; and it should review existing corrective actions and determine whether any efforts could be intensified to reduce or prevent additional improper payments.

And in [a December 2012 report](#), we determined that SSA met all high-dollar overpayment reporting requirements in Executive Order 13520. However, the Agency could have employed a different methodology and taken additional steps, such as analyzing other available data, to identify and report additional high-dollar overpayments and increase transparency.

## **Efforts to Identify and Prevent Improper Payments**

As I mentioned, IPERIA included a “Do Not Pay” provision, which requires agencies to check lists of deceased or ineligible individuals before making government payments. SSA, then, must ensure it collects and maintains accurate death records included in the Agency’s DMF to prevent its own and other agencies’ improper payments.

The DMF is an extract of SSA’s Numident—the Agency’s database of Social Security number (SSN) holders—and it contains about 85 million records. SSA receives about 2.5 million death reports annually from many sources, including family members, funeral homes, and State agencies. Because SSA does not receive death records for all deceased individuals, the Agency does not guarantee the file’s accuracy. A person’s absence from the file does not guarantee the person is alive.

SSA has agreements in place with other Federal agencies, such as the Department of Veterans Affairs, to share death information. However, a web-based system known as Electronic Death Registration (EDR) results in improved data quality and more rapid compilation of death data. EDR is highly accurate because, when fully used, a State verifies the name and Social Security number of each deceased individual against SSA’s records before transmitting the death report. Based on Federal funding since FY2002, 36 of the 57 vital statistics jurisdictions have electronic death records capacity. The President’s FY2014 Budget supports funding for the Centers for Disease Control’s National Center for Health Statistics to implement EDR in the 21 remaining jurisdictions over four years.

We have recently conducted several audits related to the accuracy of DMF data:

- In [a December 2012 report](#), we estimated about 10,000 beneficiaries had unresolved date-of-death discrepancies between the SSA’s Numident and its Master Beneficiary (MBR) and Supplemental Security Records; about 1,400 had undetected improper payments of about \$6.7 million; about 8,400 had an incorrect date of death on the DMF.
- In [a July 2012 report](#) on deceased Title II beneficiaries, we identified about 1.2 million beneficiaries who had a date of death on the MBR, but they did not have death information on the Numident, which is used to create the DMF. Generally, the deaths were not on the Numident because the beneficiaries’ personal information (such as date of birth) on SSA’s payment records

or death report did not precisely match the beneficiaries' information on the Numident.

- In a May 2013 report, we determined that as many as 182,000 deceased recipients' deaths were not reported on the DMF; about 1,000 had earnings on SSA's Master Earnings File in 2011 that were recorded one or more years after their death. In addition, we found several cases in which employers made E-Verify inquiries, and States made voter-verification requests, for deceased recipients, and SSA did not identify that the individuals were deceased.

Our auditors have also looked at other potential data matches among government agencies that could reduce improper payments. In an [August 2012 report](#), our auditors showed how SSA could use Medicare claim data to identify overpayments to deceased beneficiaries. A match of SSA and Centers for Medicare and Medicaid Services (CMS) beneficiary data allowed SSA to identify deceased beneficiaries based on their enrollment in, but non-usage of, Medicare. We estimated that SSA overpaid 890 deceased beneficiaries about \$99 million. We recommended that SSA work with CMS to establish a data-use agreement to regularly perform a similar data match.

As that example shows, as well as the previously discussed audit on how SSA could use DHS' travel data, Federal agencies and their OIGs should use any and all tools that can improve payment accuracy, including analysis of internal and external data. [In 2010](#), our auditors worked with DoL to compare its Office of Workers' Compensation Programs data to SSA records. We identified Federal employees who received disability benefits in the same year they received Federal Employees' Compensation Act (FECA) payments. We estimated \$43 million in improper payments to about 961 beneficiaries for whom SSA did not consider FECA payments in calculating their benefit amounts.

In addition, DoL is currently promoting increased cross-comparison of Unemployment Insurance (UI) claimants with the National and State Directories of New Hires to identify individuals who have returned to work, in an effort to reduce UI overpayments. As of April 2013, 47 state workforce agencies have implemented new standard data-sharing procedures and immediate claimant-notification processes.

SSA and other agencies should also utilize more non-governmental databases to improve payment accuracy. SSA already receives data from the IRS to verify income, but in recent years, the Agency went further, implementing the Access to Financial Institutions (AFI) initiative, which allows it to access financial institutions' data to verify an applicant or recipient's self-reported resources. In 2011, SSA completed the AFI rollout to all 50 States, the District of Columbia, and the Commonwealth of the Northern Mariana Islands. Assuming that SSA had used its current account verification process on a long-term basis, the Agency estimates that the account verifications expected to be completed in FY2013 would yield an estimated \$365 million in lifetime Federal SSI program savings.

We encourage Federal agencies to support any legislative proposals that would identify and prevent more improper payments in their programs. The OIG community is pursuing an exemption to the *Computer Matching and Privacy Protection Act of 1988* (CMPPA), which would exempt OIGs from a requirement for a formal computer matching agreement before they can match data with other entities to identify fraud and waste. This provision impedes OIG efforts to detect improper payments and identify weaknesses that make Federal programs vulnerable to fraud. In 2010, the HHS and its OIG obtained an exemption for data matches designed to identify fraud, waste, and abuse; and we believe SSA should have a similar exemption.

IPERA allows up to 5 percent of the amounts collected from recovery auditing by an agency to be used by the IG of that agency; the money is to be used to carry out this new law or any other activities of the IG relating to investigating improper payments or auditing internal controls associated with payments. However, this provision applies only to recoveries of overpayments made from discretionary appropriations, and for SSA/OIG, that applies only to recoveries of overpayments made from SSA's administrative expenses, not SSA's benefit programs.

We and other OIGs continue to support legislation to establish an agency revolving fund for integrity activities to help ensure payment accuracy or an expansion of the recovery auditing provisions of IPERA to all Government funds, not just discretionary funds. In our case, we have proposed an indefinite appropriation to make available to SSA 25 percent, and to OIG 5 percent, of actual overpayments collected, for use solely on integrity activities that provide a continuous return on investment.

Finally, I should note that SSA and OMB do not consider *unavoidable* overpayments to be improper. Thus, payments that would not have been made *if* a stewardship review, like a medical continuing disability review, had been, but was not, conducted when due, are *not counted* as improper payments by SSA. We, however, believe these payments are improper and should be part of the discussion about SSA's payment accuracy, since SSA could potentially have prevented those payments by timely performing all identified medical continuing disability reviews. In a [March 2010 report](#), we estimated SSA would have avoided paying at least \$556 million during calendar year 2011 if it had conducted the medical CDRs in the Agency's backlog when they were due.

## **Conclusion**

Federal agencies and their OIGs have made a concentrated effort to reduce improper payments and improve payment accuracy in recent years. Agencies like SSA are working to improve their reporting of improper payments and identify overpayment and underpayment causes and solutions. This important collaboration among Federal agencies, OMB, the Treasury, and the CIGIE will continue in an effort to improve administrative efficiency and service delivery.

This OIG has done, and continues to do, significant audit and investigative work to identify areas where SSA is vulnerable to improper payments, and to recommend actions to reduce and eliminate those errors. As similar efforts occur across government, we will continue our liaison role between the IGs and OMB, and we will provide information to this Committee as requested.

I thank you again for the invitation to be with you here today. I am happy to answer any questions.