



## SOCIAL SECURITY

### **MEMORANDUM**

**Date:** July 23, 2009

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Quick Response Evaluation: Improper Payments Report (A-15-09-29125)

The attached final quick response evaluation presents the results of our review. Our objective was to determine whether the Agency accurately reported improper payment information in the Debt Management Tables and the *Improper Payments Information Act of 2002* Detailed Report published in the Fiscal Year 2008 Performance and Accountability Report.

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

# ***QUICK RESPONSE EVALUATION***

***Improper Payments Report***

**A-15-09-29125**



**July 2009**

## 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.

# *Background*

---

## **OBJECTIVE**

Our objective was to determine whether the Agency accurately reported improper payment information in the Debt Management Tables and the *Improper Payments Information Act of 2002 (IPIA)*<sup>1</sup>) Detailed Report published in the Fiscal Year (FY) 2008 Performance and Accountability Report (PAR).

## **BACKGROUND**

### **DEBT MANAGEMENT**

In FY 2008, the Social Security Administration (SSA) collected \$2.81 billion in program benefit overpayments. SSA used its internal debt collection methods, such as benefit withholding, to collect overpayments from monthly benefits when the person was still in current pay status. When the person was no longer in current pay status, SSA used its billing and follow-up system. That system enabled SSA to send a series of progressively stronger notices requesting repayment and make telephone calls to negotiate repayment. In addition to the internal methods, SSA used external collection techniques, as follows.

- **Tax Refund Offset/Treasury Offset Program** – In 1992, SSA began recovering delinquent Old-Age, Survivors and Disability Insurance (OASDI) overpayments from former beneficiaries by offsetting their Federal tax refunds through a process called Tax Refund Offset (TRO).<sup>2</sup> In 1998, TRO was expanded to include delinquent Supplemental Security Income (SSI) overpayments.<sup>3</sup> Also in 1998, SSA began using the Treasury Offset Program (TOP) to recover OASDI overpayments through administrative offset--reduction or withholding of a Federal payment other than a tax refund.<sup>4</sup> In 2002, SSA implemented TOP for SSI debts.<sup>5</sup>

---

<sup>1</sup> Pub. L. No. 107-300, 31 U.S.C. § 3321.

<sup>2</sup> The *Omnibus Budget Reconciliation Act of 1990*, Pub. L. No. 101-508, 104 Stat. 1388, allows SSA to recover delinquent OASDI overpayments through TRO. See also, *Social Security Act* § 204(a)(1)(A), 42 U.S.C. § 404(a)(1)(A).

<sup>3</sup> TRO for SSI debts is authorized by the *Deficit Reduction Act of 1984*, Pub. L. No. 98-369.

<sup>4</sup> The *Debt Collection Improvement Act of 1996*, Pub. L. No. 104-134, authorizes SSA to collect certain OASDI overpayments by TOP. See also, *Social Security Act* § 204(f)(1) and (2), 42 U.S.C. § 404(f)(1) and (2).

<sup>5</sup> TOP for SSI debts is authorized by the *Foster Care Independence Act of 1999*, Pub. L. No. 106-169 (H.R. 3443).

- **Credit Bureau Reporting**<sup>6</sup> – The *Social Security Domestic Employment Reform Act of 1994* authorizes SSA to report certain delinquent OASDI overpayments to credit bureaus.<sup>6</sup> In 1998, SSA began reporting these overpayments to credit bureaus as a way of influencing individuals to repay their debts.
- **Cross Program Recovery**<sup>7</sup> – In 2002, SSA began recovering delinquent SSI overpayments from monthly Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) benefits due the debtor. In March 2004, the *Social Security Protection Act of 2004* was enacted and covers OASDI, SSI, and Special Veterans Benefits. It allowed SSA, subject to certain limitations, to collect an overpayment in any of the three programs from benefits payable from any of those three programs.<sup>8</sup>
- **Administrative Wage Garnishment**<sup>9</sup> – The *Debt Collection Improvement Act of 1996* (DCIA) authorizes SSA to collect delinquent overpayments by garnishing the wages of private and public sector employees.<sup>10</sup> In April 2005, the first garnishment orders were issued to employers of OASI, DI, and SSI debtors who had delinquent overpayments in 2005. In August 2006, the program was expanded to include all existing delinquent debtors.
- **Automatic Netting of SSI Payments** – SSA began automatically netting SSI overpayments against SSI underpayments in September 2002.
- **Non-Entitled Debtor Initiative** – In 2005, SSA implemented the Non-Entitled Debtor (NED) initiative, which is a process that electronically identifies, controls, and resolves overpayments owed by persons who are not entitled to Social Security benefits or SSI payments. NED allows these overpayments to be collected via TOP and Administrative Wage Garnishment.<sup>11</sup>

---

<sup>6</sup> Pub. L. No. 103-387 § 5(a) (1994), *Social Security Act* § 204(f)(1), 42 U.S.C. § 404(f)(1).

<sup>7</sup> In June 2007, our review of *Cross Program Recovery of Benefit Overpayments* (A-13-06-16031) found that the Agency had not fully implemented its cross-program authority as authorized under the *Social Security Protection Act of 2004*.

<sup>8</sup> Pub. L. No. 108-203 § 210 (2004), 42 U.S.C. § 1320b-17.

<sup>9</sup> Our September 2008 review of the *Administrative Wage Garnishment* (A-13-08-28009) found that, generally, the Agency complied with its policies and procedures when it used Administrative Wage Garnishment to collect OASDI and SSI delinquent debt; however, we found three system-related problems and two instances in which the debtors' employers were uncooperative or non-responsive.

<sup>10</sup> Pub. L. No. 104-134 § 31001(o)(1) (1996).

<sup>11</sup> NED is authorized by the *Foster Care Independence Act of 1999*, Pub. L. No. 106-169 (H.R. 3443).

The results of two FY 2004 audit reports<sup>12</sup> indicated that SSA had made significant efforts to identify, prevent, and recover OASDI and SSI overpayments over the past several years. In those reports, we recommended that SSA continue evaluating the recovery tools that were not yet implemented but were authorized through legislation. Since the issuance of those reports, SSA has initiated several additional debt recovery programs, such as the Administrative Wage Garnishment and Federal salary offset.<sup>13</sup>

To determine whether SSA benefited from implementing various recovery efforts, we reviewed the amount of collections for both OASDI and SSI from the date of inception for each recovery mechanism. The data provided by SSA for TRO, TOP, and Credit Bureau Reporting were based on the calendar year. Therefore, the analysis we conducted used calendar year data for TRO, TOP, and Credit Bureau Reporting and FY data for the remaining initiatives. Although we did not independently verify the recovery statistics provided, the data suggest that the above-referenced recovery initiatives have resulted in increased recoveries. For example, when TRO and TOP were implemented in 1992, \$54.7 million was recovered for OASI and DI. In 2008, \$125.3 million was recovered. TRO and TOP were not implemented for SSI until 1998. During that year, \$33 million was recovered, and in 2008, \$69.1 million was recovered. Appendix C contains graphs for each initiative showing the collections for OASDI and SSI from the date of inception.

## **IMPROPER PAYMENTS**

*IPIA* was signed into law on November 26, 2002. It requires that the head of each agency, in accordance with guidance prescribed by the Director of the Office of Management and Budget (OMB), annually review all programs and activities it administers and identify all such programs and activities that may be susceptible to significant improper payments.<sup>14</sup> An estimate of the annual amount of improper payments must be submitted to Congress before March 31 of the following applicable year.<sup>15</sup>

Each year, SSA reports payment accuracy rates for both the OASDI and SSI programs based on the stewardship reviews. The reviews are used as the basic measure to report on the accuracy of benefit payments. Each year, SSA reports improper payments (both overpayments and underpayments) from its stewardship reviews of nonmedical aspects of the OASI, DI, and SSI programs. In accordance with OMB's guidelines implementing the provisions of *IPIA*, SSA reports payments that should not

---

<sup>12</sup> *Supplemental Security Income Overpayments* (A-01-04-24022) and *Overpayments in the Old-Age, Survivors and Disability Insurance Program* (A-01-04-24023).

<sup>13</sup> Authorized by DCIA for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. This program was implemented by SSA in FY 2006 and allows paying agencies to withhold amounts each pay period from a Federal employee who owes a debt to a creditor agency.

<sup>14</sup> Pub. L. No. 107-300 § 2(a).

<sup>15</sup> Pub. L. No. 107-300 § 2(b).

have been made or payments that were made in an incorrect amount as improper. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. Data from these reviews are also used in corrective action planning and in monitoring performance, as required by the *Government Performance and Results Act of 1993*.<sup>16</sup>

Payment accuracy rates developed in SSA's stewardship reviews reflect the accuracy of payments issued to OASDI beneficiaries and SSI recipients who received or were issued a payment for the sample month. A statistically valid national sample is selected monthly from the payment rolls, which consist of OASDI and SSI beneficiaries in current pay status. For each sample selected, the recipient or representative payee is interviewed, collateral contacts are made, as needed, and all nonmedical eligibility factors are redeveloped as of the current sample month. Findings are input into a national database for analysis and report preparation. Separate rates are determined for accuracy of payments in terms of over- and underpayment dollars.

---

<sup>16</sup> Pub. L. No. 103-62.

# **Results of Review**

---

Overall, our review determined that the Agency accurately presented information for the Debt Management and Improper Payments tables in the FY 2008 PAR. Specifically, we reviewed the (1) *FY 2008 Quarterly Debt Management Activities Table*, (2) *Debt Management Activities Table*, (3) *Improper Payments Experience FY 2005 – FY 2007*, and (4) *Improper Payments Reduction Outlook FY 2008 - 2011*.

## **DEBT MANAGEMENT**

### **FY 2008 Quarterly Debt Management Activities Table**

We recalculated the figures in the *FY 2008 Quarterly Debt Management Activities Table*<sup>17</sup> and found two numbers that were incorrectly reported. The fourth quarter figures for both “Total collections (cumulative)” and “TOP collections (cumulative)” did not reconcile to the amounts from the Treasury Report on Receivables (TROR) reports.<sup>18</sup> Each total was inaccurate by approximately \$3 million. The Office of Finance stated that the TROR for SSI was updated, and the figures in the PAR were not updated to reflect the changes. Although these figures were incorrectly stated, the amounts are not significant and should not be carried forward to the FY 2009 PAR; therefore, restating the amounts should not be necessary.

### **Debt Management Activities Table**

The figures in the *Debt Management Activities Table*<sup>19</sup> represented legally defined overpayments.<sup>20</sup> These figures were obtained from the TROR. For our review, we recalculated the figures in the table and compared certain figures to determine whether they were appropriately reported. When we recalculated the figures in the *Debt Management Activities Table*, we found one of the percentage statistics was incorrectly reported. The “percent change in collections from the prior FY” figure for FY 2004 was reported as 2.5 percent. However, based on our calculations, the percentage should have been 3.5 percent.<sup>21</sup> Although this figure was incorrectly stated, the difference is

---

<sup>17</sup> FY 2008 PAR, page 169.

<sup>18</sup> The TROR serves as a management report that informs Federal decisionmakers of the total book value of the receivables owed to Federal agencies and the status of the Government’s debt portfolio.

<sup>19</sup> FY 2008 PAR, page 170.

<sup>20</sup> An overpayment is the total amount an individual received for any period that exceeds the total amount that should have been paid for the period. For specific information on how SSA defines overpayments, refer to SSA’s Program Operations Manual System, GN 02201.001 and SM 00610.515.

<sup>21</sup> The percentage was recalculated as follows (in thousands):  $(2,226,737 - 2,307,601) / 2,307,601 = -3.5\text{ percent}$ . Figures were provided by the Division of Central Accounting and Reporting (DCAR).

not significant and should not be carried forward to the FY 2009 PAR; therefore, restating the figure should not be necessary.

During our analysis, we focused on recalculating the “average number of months to clear receivables” to determine whether the fluctuations reported were accurate. We also compared the average number of months to clear receivables in relation to outstanding actual debt, new debt detection, and collections on receivables. The tables below break out OASI, DI, and SSI figures for FYs 2004 through 2008.

Debt Management Activities - OASI (in thousands)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Outstanding Actual Debt	\$1,948,131	\$2,076,607	\$2,237,761	\$2,498,808	\$2,685,224
New Debt Detection (Receivables)	\$1,085,007	\$1,231,967	\$1,456,109	\$1,571,639	\$1,762,316
Collections on Receivables	\$942,061	\$1,030,218	\$1,170,724	\$1,181,622	\$1,360,609
Average Number of Months to Clear Receivables	22	20	18	18	18

Source: Debt Management Workpapers prepared by DCAR based on TROR reports

The average number of months to clear receivables for OASI remained fairly consistent for FYs 2004 to 2008. This was a result of a consistent change in the ratio of new debt detection to average outstanding actual debt.

Debt Management Activities - DI (in thousands)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Outstanding Actual Debt	\$3,198,483	\$3,771,387	\$4,378,031	\$4,735,551	\$5,017,926
New Debt Detection (Receivables)	\$980,690	\$1,413,604	\$1,683,403	\$1,401,216	\$1,458,521
Collections on Receivables	\$451,558	\$505,463	\$658,868	\$713,052	\$784,264
Average Number of Months to Clear Receivables	38	30	29	39	40

Source: Debt Management Workpapers prepared by DCAR based on TROR reports

The average number of months to clear receivables for DI did not remain as consistent. In FY 2006, it took SSA only 29 months on average to clear a receivable; however, in FY 2007, it took an average of 39 months to clear a receivable. For FY 2007, the average number of months to clear a receivable increased because new debt decreased at a rate of 16.8 percent, yet average outstanding debt increased at a rate of

11.8 percent. We requested the Office of Payment and Recovery Policy (OPRP) personnel provide us the underlying causes of the fluctuations in the average number of months to clear receivables for the DI program. OPRP stated there was a significant decrease in the number of continuing disability reviews (CDR) conducted in FY 2006 (1.33 million) compared to FY 2007 (764,000). This decrease in CDRs resulted in a significant drop in disability cessations and may have caused most of the 16.8-percent decrease in new debt detections for the DI program and the resulting increase in the average number of months to clear receivables in FY 2007.

Debt Management Activities - SSI (in thousands)					
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008
Outstanding Actual Debt	\$7,113,549	\$7,306,769	\$7,031,701	\$7,005,299	\$7,181,206
New Debt Detection (Receivables)	\$1,978,635	\$2,050,186	\$2,014,551	\$2,019,725	\$2,351,517
Collections on Receivables	\$833,118	\$901,627	\$935,111	\$966,178	\$1,032,391
Average Number of Months to Clear Receivables	47	42	43	42	36

Source: Debt Management Workpapers prepared by DCAR based on TROR reports

The average number of months to clear receivables for SSI remained consistent for FYS 2005 through 2007. However, in FY 2008, the average number of months decreased substantially. This decrease resulted from new debt increasing at a rate of 16.4 percent, while average outstanding debt increased at a rate of 1.1 percent. We also requested that OPRP personnel provide us the underlying causes of the fluctuations in the average number of months to clear receivables for the SSI program. They stated that from May through August 2008, the Internal Revenue Service released economic stimulus payments to more than 130 million individuals. The stimulus payments were subject to offset against outstanding tax and non-tax liabilities in the same fashion as regular tax refunds. Therefore, SSI overpayments were subject to TOP during the release of the stimulus payments in FY 2008, and in part may have lead to an increase of collections and a decrease in the average number of months to clear receivables. In addition, SSI redeterminations increased from 1 million in FY 2007 to 1.2 million in FY 2008. This increase in redeterminations contributed to the increase in new debt in FY 2008 and the overall decrease in the average number of months to clear receivables. See Appendix D for further details on the calculations we analyzed.

## **IMPROPER PAYMENTS INFORMATION ACT OF 2002 DETAILED REPORT**

### ***Improper Payments Experience FY 2005 – FY 2007 Table***

The *Improper Payments Experience FY 2005 – FY 2007 Table*<sup>22</sup> figures were based on the statistical sample used in the Stewardship Reviews conducted by the Office of Quality Performance (OQP). Each FY, OQP conducted stewardship reviews of both OASDI and SSI payments issued in that FY. The stewardship reviews were based on a monthly sample selection from the OASDI and SSI payment rolls that consisted of beneficiaries in current pay status. Each month, about 80 OASI cases, 40 DI cases, and 360 SSI cases were selected for review. According to the FY 2007 Title II Payment Accuracy (Stewardship) Report published by OQP, “. . . the sample is sufficient to provide statistically reliable data on the overall payment accuracy of the universe of RSI and DI payments issued in the FY. The annual sample is not large enough to provide statistically reliable information about the individual deficiencies<sup>23</sup> in a given year. Therefore, Stewardship sample data are viewed over a period of years to aid in identifying trends.”<sup>24</sup> If an error was detected, OQP determined whether the payment error met the definition of improper (see Appendix E). If a program payment was not considered “unavoidable,” it was included in the projection of improper payment experience.

In contrast to the statistical information presented by OQP, OPRP tracked legally defined overpayment information regardless of whether it was considered improper. OPRP used this information to forecast overpayments and analyze trends. The information was then shared with the Office of Budget<sup>25</sup> and incorporated into an exhibit in the Agency’s budget. The main use of this information was for internal analysis conducted by various SSA components.

The differences between the information presented by OQP and the information tracked by OPRP presented difficulties when we tried to compare them. For example, the amount of overpayments for the DI program for FY 2007 reported in the FY 2008 PAR was \$864 million. Based on the report provided by OPRP, the new debt that was actually detected for the DI program in FY 2007 was \$1.3 billion. The differences occurred because each component evaluated two separate measures of overpayments. OQP evaluated undetected overpayments meeting the definition of improper for a single FY and then projected that experience to program outlays for the same FY while OPRP tallied actual overpayments detected in the operating processes in a FY, but that could represent a debt from the same FY or an accumulation of previous FYs. The purpose

---

<sup>22</sup> FY 2008 PAR, page 172.

<sup>23</sup> Some cases had more than one “error” causing an incorrect payment. Each of these “errors” was referred to as a deficiency.

<sup>24</sup> Fiscal Year (FY) 2007 Title II Payment Accuracy (Stewardship) Report,  
[http://quality.ba.ad.ssa.gov/hq/reports/reportspdf/FY2007\\_Title\\_II\\_Stewardship\\_Report.pdf](http://quality.ba.ad.ssa.gov/hq/reports/reportspdf/FY2007_Title_II_Stewardship_Report.pdf)

<sup>25</sup> Social Security Administration: Debt Collection – Benefit Overpayments.

of the OQP reviews was to project the amount of error found in the sample month to the universe to arrive at the correct payment accuracy number. According to OQP personnel, for any individual Social Security number (SSN), overpayment errors found were only attributable to the incorrect payment in the sample month and did not include other additional overpayments made during other months of the FY for that particular SSN. If other errors outside the sample month were discovered, OQP reported the errors to the Feedback Coordinator in the program service center with jurisdiction over the SSN under review as informational feedback but did not include them in error dollars recorded for the sample month.

OPRP tracked debts based on overpayments that SSA actually detected in the current year. Although the overpayments were detected in the current year, they may have corresponded to historical events that initiated the overpayment. For example, suppose during the stewardship review for the sample month of June, OQP discovered a \$50 overpayment for a particular SSN for the sample month. During the redevelopment of the case to determine the accuracy of the June payment, OQP also discovered the \$50 payments for March, April, and May were also overpayments. Because OQP only included overpayments detected for the sample month, it recorded an overpayment error of \$50, which was then projected to the universe. OQP would also report the overpayment errors from March through June to Operations as informational feedback. Once the total \$200 overpayment was assessed on the beneficiary's record, the \$200 would be recorded as new debt by SSA that was included in the information tracked by OPRP.

#### ***Improper Payments Reduction Outlook FY 2008 – FY 2011 Table***

The *Improper Payments Reduction Outlook FY 2008 – FY 2011 Table*<sup>26</sup> figures were derived from both OMB and the Mid-Session Review of the President's FY 2009 Budget. These figures did not correlate to the figures provided by OQP's FY 2007 Stewardship Report or OPRP's actual program overpayments detected for FY 2008. According to the PAR, the payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2009 Budget. OMB then provided the target percentages for both overpayments and underpayments for OASDI and SSI. From program outlays and OMB's payment accuracy targets, projected dollars for improper overpayments and underpayments were computed. According to OPRP, OMB had not provided a reason for the target percentages. OPRP indicated the percentages provided were unrealistic and should have been reassessed based on the budget restraints and the resulting reduced amounts of redeterminations and continuing disability reviews being conducted. Below is a comparison of the target rates provided by OMB versus the rates that were reported in the PAR based on the Stewardship Reviews conducted by OQP.

---

<sup>26</sup> FY 2008 PAR, Page 173.

Target vs. Reported Error Rates						
	FY 2005		FY 2006		FY 2007	
	Target Rate	Reported Rate <sup>27</sup>	Target Rate	Reported Rate	Target Rate	Reported Rate
<b>OASDI</b>						
Underpayments	0.2%	0.19%	0.2%	0.12%	0.2%	0.13%
Overpayments	0.2%	0.45%	0.2%	0.33%	0.2%	0.21%
<b>SSI</b>						
Underpayments	1.2%	1.4%	1.2%	2.2%	1.2%	1.5%
Overpayments	5.1%	6.4%	4.6%	7.9%	4.3%	9.1%

Source: SSA's FY 2004 and FY 2008 PARs

---

<sup>27</sup> Reported rates are based on the accuracy rates determined by the stewardship reviews conducted by OQP. The rates are presented in Table 1 on page 172 of the FY 2008 PAR.

## Conclusion

---

Overall, our review determined that the Agency accurately presented information for the Debt Management and Improper Payments sections in the FY 2008 PAR. The figures presented in the Debt Management Tables were accurately reported; however, three figures were incorrectly stated. Although the figures were incorrectly stated, the related amounts were not significant and should not be carried forward to the FY 2009 PAR; therefore, restating the figures should not be necessary. *The Improper Payments Experience* figures were accurately presented based on the Stewardship Reviews conducted by OQP. The figures were based on statistical information obtained from a monthly sample selection from the OASDI and SSI payment rolls. By contrast, OPRP tracked improper payment information based on OMB's definition of improper payments. Lastly, *The Improper Payments Reduction Outlook* figures were accurately presented based on the target percentages provided by OMB and the Mid-Session Review of the President's FY 2009 Budget.

# Appendices

---

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Debt Management Initiatives

[APPENDIX D](#) – Analysis of Average Number of Months to Clear Receivables

[APPENDIX E](#) – Defining Erroneous Payments

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

## **Appendix A**

---

### **Acronyms**

CDR	Continuing Disability Review
DCAR	Division of Central Accounting and Reporting
DCIA	<i>Debt Collection Improvement Act of 1996</i>
DI	Disability Insurance
FCIA	<i>Foster Care Independence Act of 1999</i>
FY	Fiscal Year
IPIA	<i>Improper Payments Information Act of 2002</i>
NED	Non-Entitled Debtor
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPRP	Office of Payment and Recovery Policy
OQP	Office of Quality Performance
PAR	Performance and Accountability Report
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
TOP	Treasury Offset Program
TRO	Tax Refund Offset
TROR	Treasury Report on Receivables

## **Appendix B**

---

### **Scope and Methodology**

Our objective was to determine whether the Agency accurately reported on improper payment information in the Debt Management Tables and the *Improper Payments Information Act of 2002 (IPIA)* Detailed Report published in the Fiscal Year (FY) 2008 Performance and Accountability Report (PAR). To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations as well as the Social Security Administration's Program Operations Manual System.
- Reviewed the FY 2007 Stewardship Review Reports for the Old-Age, Survivors and Disability Insurance and the Supplemental Security Income programs.
- Reviewed the Treasury Reports on Receivables for FY 2008.
- Requested data from the Offices of Finance and Payment and Recovery Policy to support the figures presented in the Debt Management Activities tables and the *Improper Payments Information Act of 2002* Detailed Report.
- Analyzed the calculations provided by the Office of Finance, which are used for the Debt Management Tables.
- Analyzed the source data for various tables in the *Improper Payments Information Act of 2002* Detailed Report.

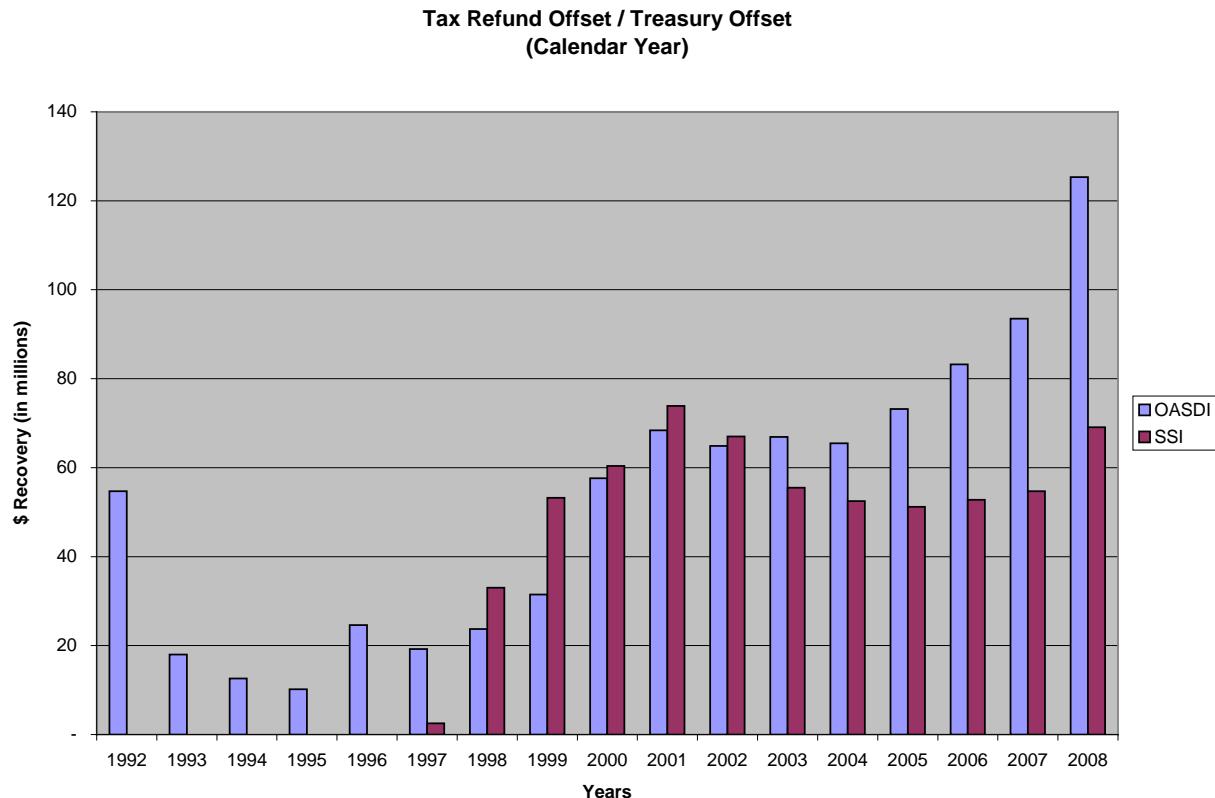
We determined the data obtained from the Social Security Administration used in this report were sufficiently reliable given the evaluation objective and their intended use.

We performed our review in May 2009 in Baltimore, Maryland. The report reviewed was the *Improper Payments Information Act of 2002* Detailed Report and the Debt Management Tables in the FY 2008 PAR. We conducted our review in accordance with the President's Council on Integrity and Efficiency's<sup>1</sup> *Quality Standards for Inspections*.

---

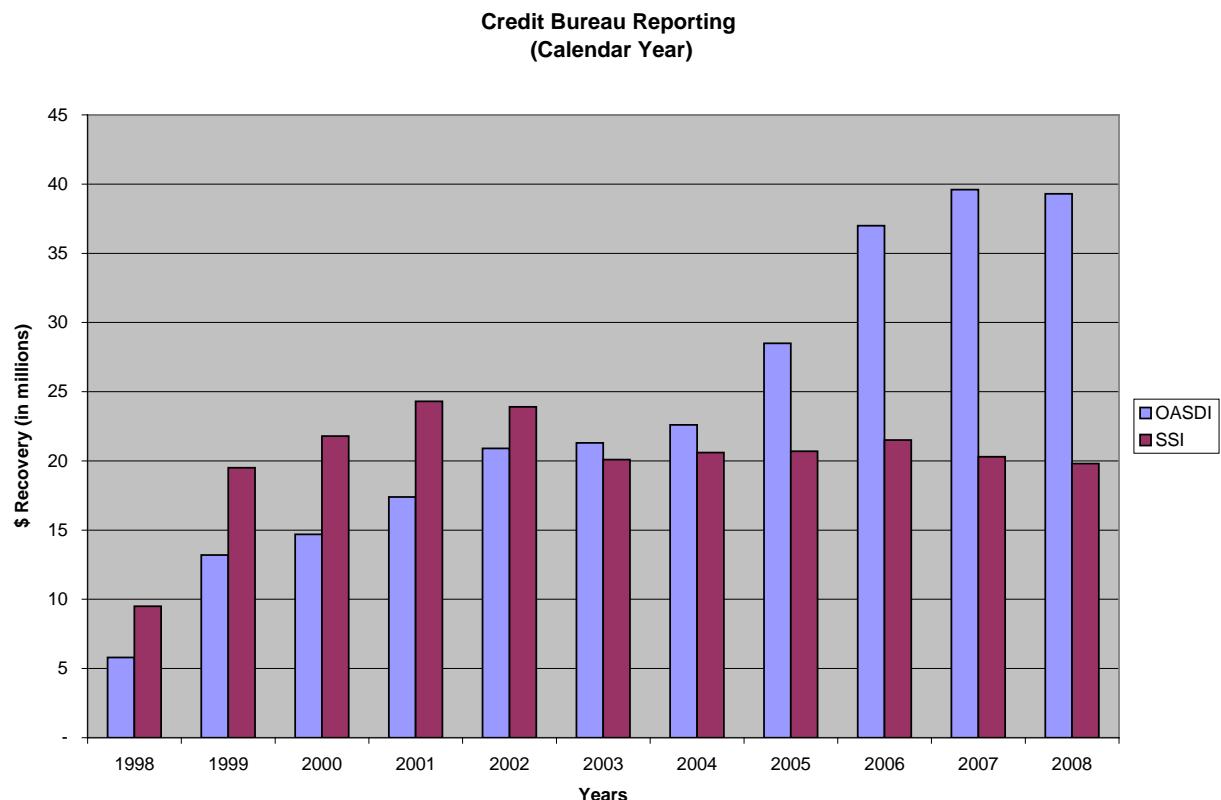
<sup>1</sup> In January 2009, the President's Council on Integrity and Efficiency was superseded by the Council of the Inspectors General on Integrity and Efficiency, *Inspector General Reform Act of 2008*, Pub. L. No. 110-409 § 7, 5 U.S.C App. 3 § 11.

# Debt Management Initiatives<sup>1</sup>

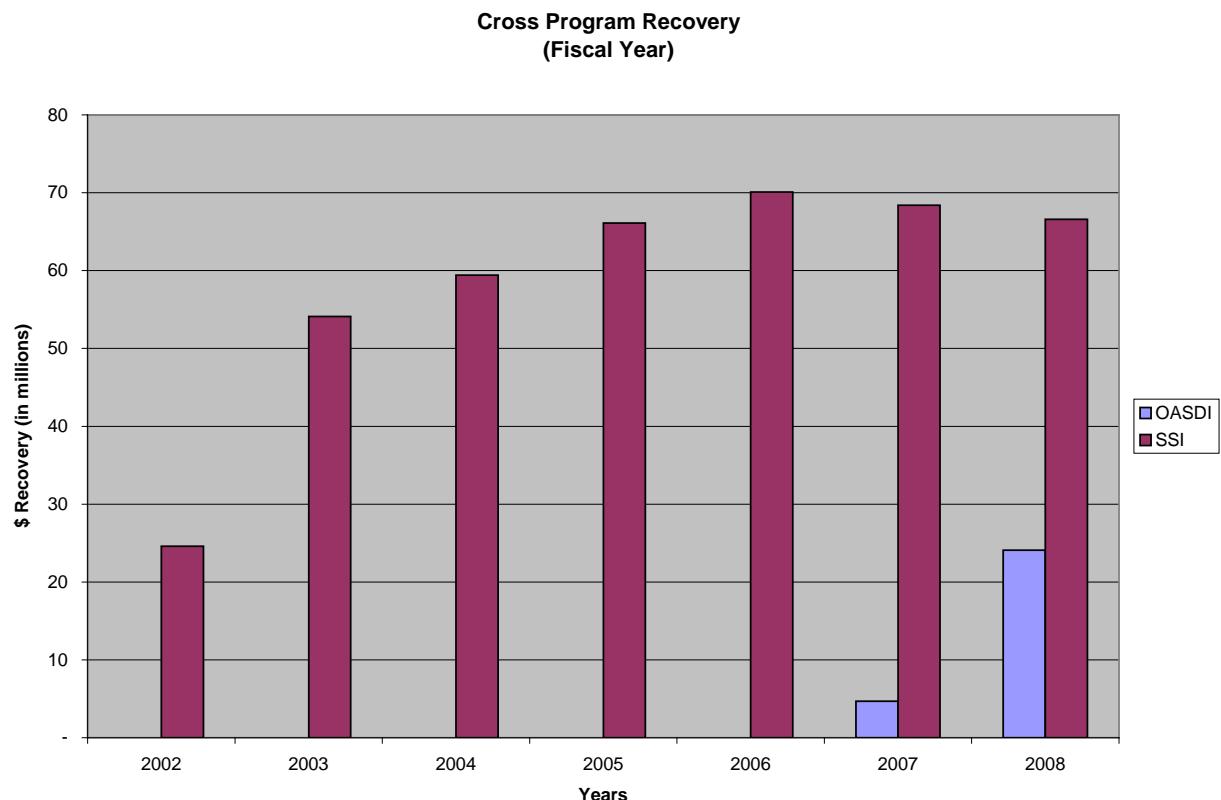


**Figure 1: Tax Refund Offset (TRO) for Old-Age, Survivors and Disability Insurance (OASDI) was initiated in 1992. TRO was initiated for Supplemental Security Income (SSI) in 1998; however, some of the collections applied to the 1997 calendar tax year. TRO was expanded to include the Treasury Offset Program (TOP) in 1998 for OASDI and in 2002 for SSI.**

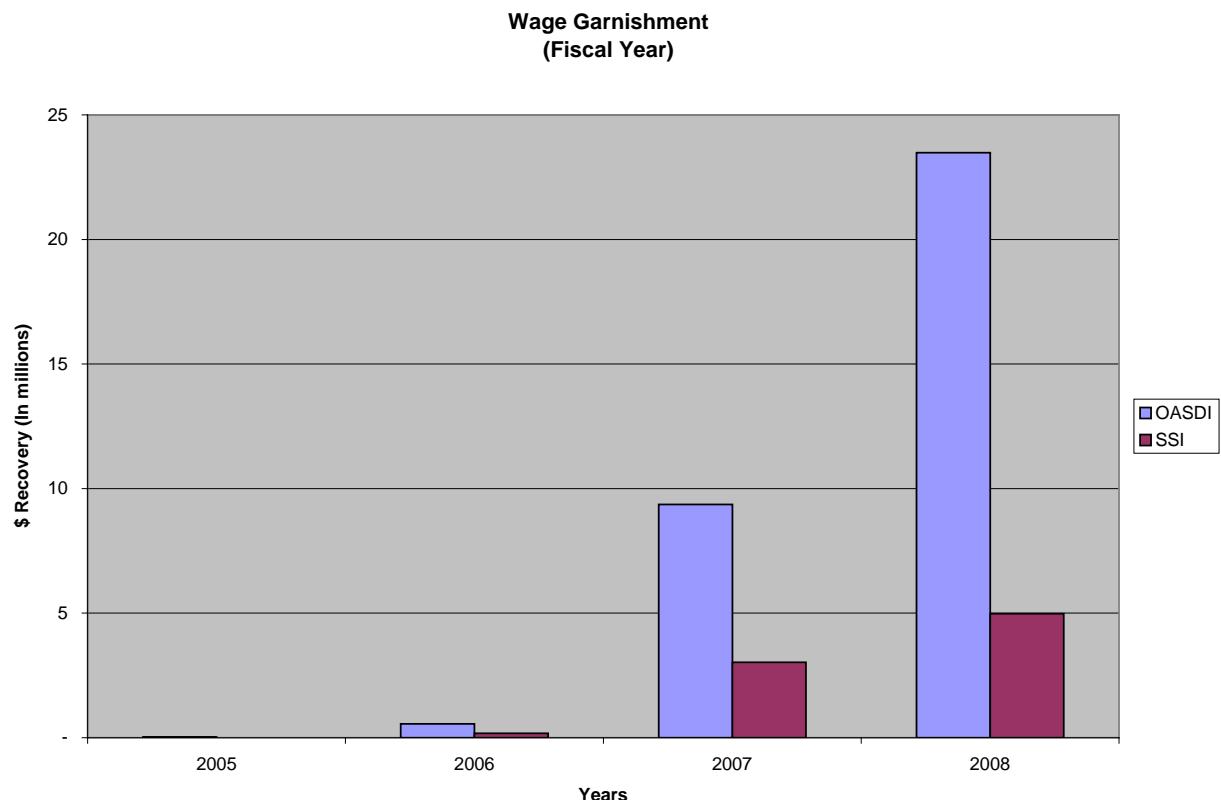
<sup>1</sup> Figures provided by “The External Collection Operations Report” provided by the Office of Retirement and Survivors Insurance Systems.



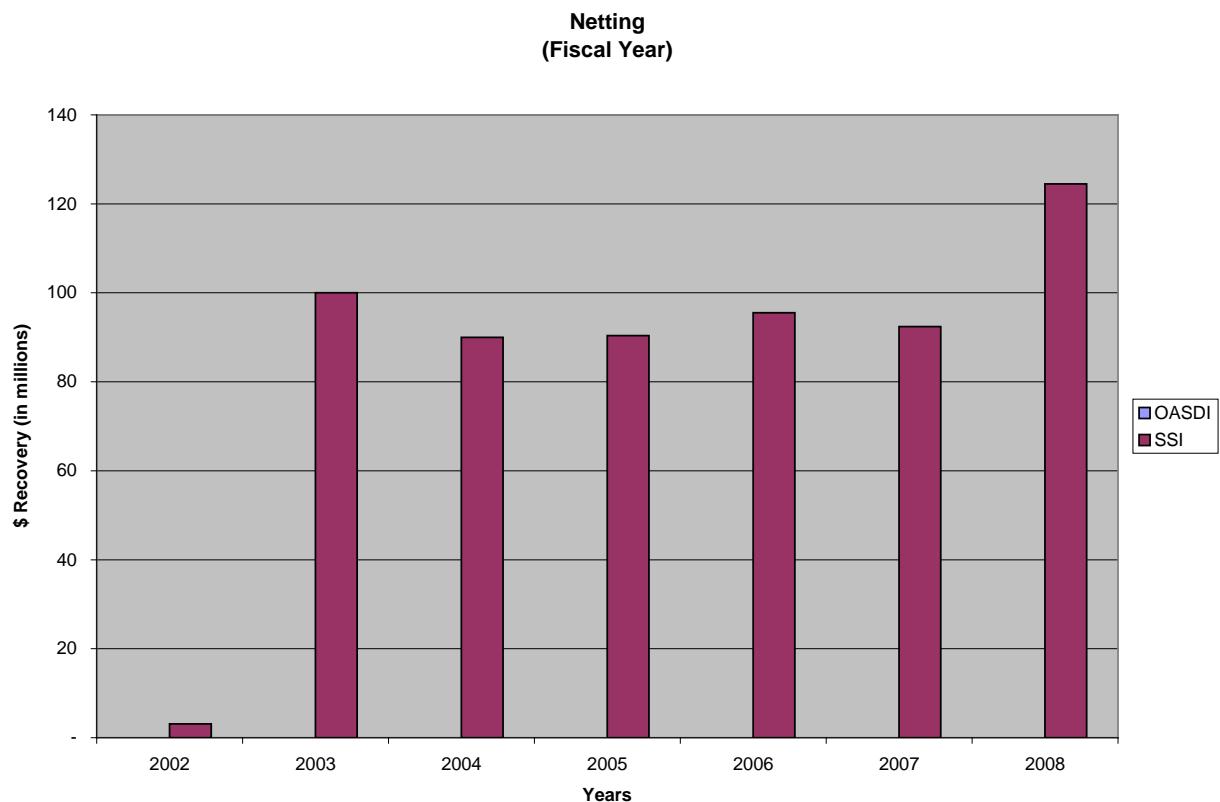
**Figure 2: Credit Bureau Reporting was initiated for OASDI in 1998 and SSI in 2002.**



**Figure 3: Cross Program Recovery was initiated for the collection of SSI overpayments from monthly OASDI benefit payments in 2002. It was expanded in 2007 to include the recovery of OASDI overpayments from SSI underpayments.**



**Figure 4: Wage Garnishment was initiated for the collection of OASDI and SSI overpayments in 2005.**



**Figure 5: In 2002, the Social Security Administration began automatically netting SSI overpayments against SSI underpayments. This initiative corresponds solely to SSI.**

### Analysis of Average Number of Months to Clear Receivables

During our analysis of the Debt Management Activities Table,<sup>1</sup> we focused on the average number of months to clear receivables for Disability Insurance (DI) and Supplemental Security Income (SSI) because of the large fluctuations from one fiscal year (FY) to the next. Specifically, we analyzed the change in DI average months from 29 in FY 2006 to 39 in FY 2007 and SSI average months from 42 in FY 2007 to 36 in FY 2008. We first obtained the equation used to calculate the amounts.<sup>2</sup> Using the data provided by the Office of Finance, we recalculated the figures to verify the amounts were presented accurately. The calculations were as follows.

#### ***Disability Insurance***

Description	Amount
New Debt – FY 2006	\$1,683,403
Outstanding Actual Debt – 2006	\$4,378,031
Outstanding Actual Debt – 2005	\$3,771,387

$$\frac{12}{(1,683,403) / [(4,378,031 + 3,771,387) / 2]}^3 = 29 \text{ Months}$$

Description	Amount
New Debt – 2007	\$1,401,216
Outstanding Actual Debt – 2007	\$4,735,551
Outstanding Actual Debt – 2006	\$4,378,031

$$\frac{12}{(1,401,216) / [(4,735,551 + 4,378,031) / 2]}^4 = 39 \text{ Months}$$

<sup>1</sup> FY 2008 PAR, page 170.

<sup>2</sup> The equation used to calculate average number of months to clear receivables is  $12 / (\text{New Debt Detection for the current FY} + (\text{Average Outstanding Actual Debt}))$ ; Average Outstanding Actual Debt is the Average Outstanding Actual Debt of the prior FY plus the Average Outstanding Actual Debt of the current FY divided by 2.

<sup>3</sup> The denominator is also known as the Accounts Receivable Turnover Ratio, which computed to .4132 for 2006.

<sup>4</sup> The denominator is also known as the Accounts Receivable Turnover Ratio, which computed to .3075 for 2007.

New Debt in 2007 for DI was decreasing at a rate of 16.77 percent,<sup>5</sup> and average debt for DI was increasing at a rate of 11.83 percent.<sup>6</sup> Since average debt was increasing at a higher rate, the Social Security Administration (SSA) could not collect its debts as quickly as in 2006. The accounts receivable turnover ratios decreased from 2006 to 2007 which also indicated that the Agency was collecting its receivables at a slower rate.

### **Supplemental Security Income**

Description	Amount
New Debt – 2007	\$2,019,725
Outstanding Actual Debt – 2007	\$7,005,299
Outstanding Actual Debt – 2006	\$7,031,701

$$\frac{12}{(2,019,725) / [(7,005,299 + 7,031,701) / 2]}^7 = 42 \text{ Months}$$

Description	Amount
New Debt – 2008	\$2,351,517
Outstanding Actual Debt – 2008	\$7,181,206
Outstanding Actual Debt – 2007	\$7,005,299

$$\frac{12}{(2,351,517) / [(7,181,206 + 7,005,299) / 2]}^8 = 36 \text{ Months}$$

---

<sup>5</sup> New Debt in 2007 decreased from New Debt in 2006 by 16.77 percent  $[(1,401,216 - 1,683,403) / 1,683,403]$ .

<sup>6</sup> The average Outstanding Actual Debt for 2007 increased over the average for 2006 by 11.83 percent  $\{[(4,735,551 + 4,378,031) / 2] - ((4,378,031 + 3,771,387) / 2)\} / ((4,378,031 + 3,771,387) / 2)$ .

<sup>7</sup> The denominator is also known as the Accounts Receivable Turnover Ratio, which computed to .2878 for 2007.

<sup>8</sup> The denominator is also known as the Accounts Receivable Turnover Ratio, which computed to .3316 for 2008.

New Debt in 2008 for SSI was increasing at a rate of 16.4 percent<sup>9</sup> while average debt was only increasing at a rate of 1.1 percent.<sup>10</sup> Since average debt was increasing at a slower rate, SSA was collecting its debts more quickly, which resulted in fewer months to collect the outstanding accounts receivable. The accounts receivable turnover ratios increased from 2007 to 2008, which also indicated that the Agency was collecting its receivables at a faster rate.

---

<sup>9</sup> New Debt in 2008 increased from New Debt in 2007 by 16.4 percent  $[(2,351,517 - 2,019,725) / 2,019,725]$ .

<sup>10</sup> The average Outstanding Actual Debt for 2008 increased over the average for 2007 by 1.1 percent  $\{[(7,181,206 + 7,005,299) / 2] - ((7,005,299 + 7,031,701) / 2)\} / ((7,005,299 + 7,031,701) / 2)\}$ .

# Defining Erroneous Payments

The following table identifies the types of Social Security Administration (SSA) payments, programs affected, current reporting status, reasons for the payments, and their classification. There are two classifications.

- Unavoidable - Payments resulting from legal or policy requirements. These payments are not considered erroneous.
- Avoidable - Payments that should be reflected in the erroneous payment estimate because they could be reduced through changes in administrative actions.

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments following a cessation of eligibility due to a continuing disability review	DI <sup>1</sup> and SSI <sup>2</sup>	Not currently reflected as an error	When SSA is required by law to make payments during the appeals process, these payments are not erroneous.	Unavoidable
Payments made under the Goldberg-Kelly due-process Supreme Court decision	SSI	Reported as unavoidable erroneous payment in the APP <sup>3</sup>	When due process requires SSI payments to continue, although the Agency has determined that a payment reduction or termination is in order, such payments are not erroneous.	Unavoidable
Payments made incorrectly because of program design	SSI	Reported as unavoidable erroneous payment in the APP	The law requires that SSI payments be made on the first of the month based on projected income for that particular month. Changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Because SSA cannot prevent the overpayment from being made, this situation should not be reflected in the Agency's erroneous payment rate.	Unavoidable

<sup>1</sup> Disability Insurance (DI).

<sup>2</sup> Supplemental Security Income (SSI).

<sup>3</sup> Annual Performance Plan (APP).

<b>Types of Payments</b>	<b>Program</b>	<b>Current Status</b>	<b>Reason for Overpayment/Underpayment</b>	<b>Classification</b>
Payments issued after death	OASI, <sup>4</sup> DI and SSI	Not currently reflected as an error <sup>5</sup>	Dollars released after death (either electronically or in the form of a paper check), which are reclaimed by the Department of the Treasury or returned unendorsed, should not be reflected in the Agency's erroneous payment rate. Conversely, payments made after death which are improperly cashed or withdrawn, and are subject to overpayment recovery, should be reported.	Unavoidable except for fraud or misuse
Non-receipt of payment	OASI, DI and SSI	Not currently reflected as an error	Duplicate Payments issued in accordance with the Robinson-Reyf Court decision are unavoidable and should not be reflected in the Agency's reports on erroneous payments. The only exception is duplicates incorrectly sent to abusers.	Unavoidable except for fraud or misuse
Payments based on medical eligibility	DI and SSI	Not currently reflected as an error	Payments are not erroneous if they are the result of a medical improvement review standard or a situation where the beneficiary would have been ineligible had the law permitted retroactive ineligibility.	Should not be included in the erroneous payment estimate
Payments made for Title II beneficiaries based on earnings estimates	DI and OASI	Not currently reflected as an error	When program design requires that the Agency make payments based on estimated earnings, these payments should not be considered erroneous.	Unavoidable
Undetected error	OASI, DI and SSI	Not currently reported as an error	The Agency should not reflect undetected error in its erroneous payment rate unless it has evidence that a specific type of erroneous payment was made.	Should not be included in the erroneous payment estimate
Duplicate payments to attorneys, vendors, and employees	Administrative Expense	Not currently reported as an error	Systems do not capture when the overpayment occurs; however, this type of error does not meet the reporting threshold.	Avoidable

<sup>4</sup> Old-Age and Survivors Insurance (OASI).

<sup>5</sup> Per Office of Quality Performance (OQP), these payments can be recorded as erroneous if not returned timely per the stewardship review protocol.

## ***Appendix F***

---

# **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Victoria Vetter, Director, Financial Audit Division

Mark Meehan, Audit Manager, Financial Audit Division

### ***Acknowledgments***

In addition to those named above:

Kelly Stankus, Auditor

Lori Lang, Auditor

For additional copies of this report, please visit our web site at  
[www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-15-09-29125.

## **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 an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts 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 reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations 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 liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Counsel to the Inspector General**

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG 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. Also, OCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

### **Office of Technology and Resource Management**

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.