



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Individuals Who Have Multiple
Overpayments Caused by Failure to
Report Earnings

A-07-16-50081 | January 2017

MEMORANDUM

Date: January 6, 2017

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Individuals Who Have Multiple Overpayments Caused by Failure to Report Earnings
(A-07-16-50081)

The attached final report presents the results of the Office of Audit's review. Our objective was to determine whether individuals had been repeatedly overpaid because they knowingly withheld, misrepresented, or concealed earnings information.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.



Gale Stallworth Stone

Attachment

Individuals Who Have Multiple Overpayments Caused by Failure to Report Earnings

A-07-16-50081



January 2017

Office of Audit Report Summary

Objective

To determine whether individuals had been repeatedly overpaid because they knowingly withheld, misrepresented, or concealed earnings information.

Background

The Social Security Administration (SSA) generally relies on individuals self-reporting changes in their personal circumstances to ensure payments are correct.

Beneficiaries and recipients are expected to exercise a high degree of care to prevent overpayments and to communicate with SSA in good faith regarding circumstances that could affect entitlement or payment amount.

A person may be found at fault if SSA determines the individual caused or contributed to an overpayment by withholding or concealing information. If so, waiver of the overpayment is precluded, and the finding of fault could indicate that SSA should consider punitive actions including withholding the full monthly payment, administrative sanctions, or penalties.

Findings

We found 70 (61 percent) of the Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and 59 (53 percent) of the Supplemental Security Income (SSI) recipients in our sample were repeatedly overpaid because of their earnings. We believe SSA could have found these 129 individuals at fault for causing or contributing to the overpayments because of their repeated failure to comply with Agency earnings reporting requirements. SSA also could have further developed these cases to determine whether punitive actions could have been used as a deterrent against future overpayments. However, we found the Agency did not apply these actions to any of the individuals in our sample.

Based on our sample, we project SSA overpaid

- 49,420 OASDI beneficiaries almost \$966 million and
- 94,480 SSI recipients almost \$924 million.

As of February 2016, we estimate SSA had not collected almost \$178 million of these OASDI overpayments and more than \$447 million of these SSI overpayments.

Recommendations

We made two recommendations including that SSA use punitive actions to deter future overpayments for individuals with a repeated pattern of noncompliance with earnings reporting requirements.

SSA agreed with our recommendations.

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ABBREVIATIONS

| | |
|-------------|--|
| BBA | <i>Bipartisan Budget Act of 2015</i> |
| OASDI | Old-Age, Survivors and Disability Insurance |
| POMS | Program Operations Manual System |
| Pub. L. No. | Public Law Number |
| ROAR | Recovery of Overpayments, Accounting and Reporting |
| SSA | Social Security Administration |
| SSI | Supplemental Security Income |
| SSR | Supplemental Security Record |

OBJECTIVE

Our objective was to determine whether individuals had been repeatedly overpaid because they knowingly withheld, misrepresented, or concealed earnings information.

BACKGROUND

The Social Security Administration (SSA) generally relies on individuals to self-report changes in their personal circumstances to ensure benefit payments are correct. The Agency explicitly informs all individuals of their earnings reporting requirements during the application process, in publications included with every award letter, pamphlets sent periodically, and standard language included in most official correspondence.¹

Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries who receive retirement or survivor benefits are required to estimate their earnings each year while they are younger than full retirement age. Additionally, beneficiaries are instructed to report changes in their estimated earnings as soon as possible when they realize they will make more or less than estimated.²

OASDI beneficiaries who receive disability benefits must notify SSA promptly when a change occurs that could affect benefits, including reporting when they start or stop work, regardless of how little they earn.³ Supplemental Security Income (SSI) recipients are required to report changes in earnings within 10 days after the month in which there is a change. This includes reporting earnings for family members whose earnings may affect the recipient's payment.⁴

Beneficiaries and recipients are expected to exercise a high degree of care to prevent overpayments and communicate with SSA in good faith regarding circumstances that could affect their entitlement or payment amount. A person may be found at fault if SSA determines they caused or contributed to an overpayment by withholding or concealing information. If so, waiver of the overpayment is precluded. Additionally, the debt could be subject to withholding, a repayment agreement, or punitive actions including administrative sanctions, penalties, or both.

¹ SSA, POMS, GN 02250.005 C.2 (October 7, 2014).

² SSA, *What You Need to Know When You Get Retirement or Survivors Benefits* (SSA Publication No. 05-10077), p. 8, July 2016.

³ SSA, *What You Need to Know When You Get Social Security Disability Benefits* (SSA Publication No. 05-10153), p. 11, November 2015.

⁴ SSA, *What You Need to Know When You Get Supplemental Security Income* (SSA Publication No. 05-11011), pp. 10-13, September 2016.

When making fault determinations, SSA considers what an individual knows or should have known and can generally assume the individual received the appropriate information.⁵ Once SSA advises a person of the reporting requirements, they will be found at fault for any subsequent overpayments caused by their failure to comply. Therefore, beneficiaries who have multiple overpayments caused by earnings could be more likely to be found at fault and subject to punitive actions.

To conduct our review, we obtained data from one segment of the Recovery of Overpayments, Accounting and Reporting (ROAR) system for overpayments established from October 2004 through September 2015 and from the Supplemental Security Record (SSR) for overpayments established from October 2004 through August 2015. We identified a population of 4,052 OASDI beneficiaries and 8,762 SSI recipients who had at least 3 earnings-related overpayments that had a combined original overpayment balance of at least 6 times the average monthly benefit amount for the respective program as of May 2015.⁶

From these populations, we selected random samples of individuals from each program—OASDI and SSI—to conduct detailed analysis of circumstances related to their overpayments (see Appendix B, Table B-1). See Appendix A for our detailed scope and methodology.

RESULTS OF REVIEW

We found 70 (61 percent) of the OASDI beneficiaries and 59 (53 percent) of the SSI recipients in our sample were repeatedly overpaid because of their failure to comply with Agency earnings reporting requirements. Therefore, we project SSA overpaid 49,420 OASDI beneficiaries almost \$966 million and 94,480 SSI recipients almost \$924 million because of un- or under-reported earnings.

We believe these 129 individuals could have been found at fault for causing or contributing to the overpayments because of their repeated failure to comply with Agency earnings reporting requirements. However, the Agency did not use authorized punitive actions as a deterrent against future overpayments for any of these individuals.

As of February 2016, we estimate SSA had not collected almost \$178 million of these OASDI overpayments and more than \$447 million of these SSI overpayments.

⁵ SSA, POMS, GN 02250.005 C.2 (October 7, 2014).

⁶ The average monthly benefit amount in May 2015 was \$1,220 for OASDI and \$542 for SSI. SSA, *Monthly Statistical Snapshot*, pp. 2-3, May 2015.

OASDI Beneficiaries Repeatedly Overpaid

In our sample of 115 OASDI beneficiaries, we found 70 repeatedly withheld or misrepresented earnings information.⁷ In total, these beneficiaries were overpaid over \$1.5 million.

We project that, for the entire population, SSA overpaid almost \$966 million to over 49,000 beneficiaries who repeatedly did not comply with earnings reporting requirements. Of this amount, we project almost \$178 million remained uncollected as of February 2016. Further, we estimate almost 2,700 of these beneficiaries owed over \$42 million that SSA was not collecting (see Appendix B, Table B–2, Table B–3, Table B–4, Table B–5, and Table B–6).

Of the 70 beneficiaries who repeatedly failed to provide accurate earnings information, 67 were entitled to retirement or survivor benefits and were subject to the annual earnings test.⁸ SSA required that these beneficiaries provide an estimate of their earnings for each year they earned over the exempt amount and were under full retirement age. Policy states SSA will assume earnings continue at previous levels until the beneficiary provides information to the contrary. This includes updating estimates for subsequent years based on prior earnings, unless a beneficiary reports a different estimate.⁹ Further, technicians are instructed to encourage beneficiaries to provide high estimates to avoid overpayments.¹⁰ For these 67 beneficiaries,

- 9 were repeatedly overpaid because they never submitted an earnings estimate,
- 7 were repeatedly overpaid because they consistently provided low estimates of future income, and
- 51 were repeatedly overpaid because they failed to submit an earnings estimate for at least 1 year and provided a low estimate of future income for at least 1 year.

For example, one beneficiary was overpaid three times, totaling almost \$19,000, because of unreported or inaccurate earnings estimates for 2008 through 2010.

- The first overpayment occurred because the beneficiary did not provide SSA with an estimate of his 2008 earnings. In August 2009, SSA discovered through its earnings enforcement process the beneficiary earned \$29,752 in 2008. Therefore, SSA assessed an \$8,091 overpayment.
- The second overpayment occurred because the beneficiary requested that SSA reduce the amount it was using to estimate his 2009 earnings. SSA initially used the \$29,752 the beneficiary earned in 2008 as his 2009 estimated earnings. However, the beneficiary

⁷ The 115 sampled OASDI beneficiaries included 100 beneficiaries from sampling frame 1 and 15 beneficiaries from sampling frame 2. All beneficiaries were entitled to disability, retirement, or survivors benefits. See Appendix B.

⁸ The remaining three beneficiaries were entitled to disability benefits and were subject to different reporting requirements.

⁹ SSA, POMS, RS 02510.005 (August 7, 2014).

¹⁰ SSA, POMS, RS 02501.105.B.1a (April 27, 2011).

requested SSA reduce the estimate to \$14,160. This lower estimate was the exact amount of the earnings limit for 2009, which allowed the beneficiary to receive full benefit payments for the entire year. The beneficiary's actual earnings for 2009 were \$29,506. Accordingly, SSA assessed a \$7,673 overpayment.

- The third overpayment occurred because the beneficiary did not provide SSA with an estimate of his 2010 earnings. Despite the previous overpayments, SSA did not use prior earnings as an estimate for 2010. His 2010 earnings were \$20,488, resulting in a \$3,164 overpayment.

Had SSA used prior actual earnings as estimates for 2009 and 2010, it could have completely prevented the overpayments for those years. However, since the beneficiary submitted a low estimate for 2009 and SSA did not follow its policy of using prior year earnings to adjust benefits in 2010—when the beneficiary did not submit an estimate—the beneficiary incurred nearly \$11,000 in overpayments.

As shown above, the Agency did not always follow its policy for the beneficiaries who failed to provide earnings estimates for at least 1 year. In our sample, we found 60 beneficiaries were overpaid at least once because they did not submit an earnings estimate. For these beneficiaries, SSA did not use the prior year's earnings as the current year's earnings estimate. Thus, beneficiaries were paid full benefits while they were still working above the earnings limit. In total, these beneficiaries were overpaid more than \$689,000 for years after their first overpayment when no earnings estimate was submitted. Had SSA used the prior year's earnings as an estimate for each overpaid year, in accordance with policy, it could have prevented almost \$563,000 (82 percent) of these subsequent overpayments.

We project that, for the entire population, SSA overpaid more than 41,000 retirement and survivor beneficiaries a total of almost \$371 million for years after their first overpayment when no earnings estimate was provided. Of this amount, we estimate SSA could have avoided over \$298 million in overpayments had it followed its policy and used the prior year's earnings as an estimate for each overpaid year (see Appendix B, Table B-7, Table B-8, and Table B-9).

SSA also overpaid beneficiaries who submitted earnings estimates that were lower than their actual earnings amounts. Though its policy did not prohibit SSA from using beneficiary estimates that were lower than previous earnings, we found many overpayments occurred when beneficiaries submitted estimates that were substantially below their typical earnings based on their work history. In some cases, beneficiaries estimated their earnings would exactly equal the earnings limit amount. We found this was a strategy for some beneficiaries in our sample who continued working but wanted to prevent the Agency from withholding their benefits.

In our sample, we found 58 beneficiaries were overpaid at least once because the earnings estimate they submitted was below their actual earnings for the year. In total, these beneficiaries were overpaid more than \$440,000 for all years after their first overpayment when they underestimated their earnings. Had SSA used the prior year's earnings, rather than relying on beneficiary estimates, it could have prevented more than \$305,000 (69 percent) in overpayments.

We project that, for the entire population, SSA overpaid almost 42,000 retirement and survivor beneficiaries a total of more than \$289 million for years after their first overpayment when low earnings estimates were provided. Of this amount, we estimate over \$198 million could have been avoided had SSA used the prior year’s earnings as an estimate for each overpaid year (see Appendix B, Table B–10, Table B–11, and Table B–12).

SSI Recipients Repeatedly Overpaid

In our sample of 112 SSI recipients, we found 59 may have intentionally withheld earnings information from SSA to prevent a reduction or loss of payments while they continued working.¹¹ Specifically,

- 28 payees failed to correctly report earnings for the parent of a child recipient,
- 22 recipients failed to correctly report their own earnings, and
- 9 recipients failed to correctly report a spouse’s earnings.

In total, these recipients were overpaid more than \$580,000. We project for the entire population, SSA overpaid a total of almost \$924 million to over 94,000 recipients who did not comply with earnings reporting requirements. Of this amount, we project over \$447 million remained uncollected as of February 2016. Further, we estimate over 31,000 of these recipients owed a total of almost \$170 million that SSA was not collecting at the time of our review (see Appendix B, Table B–2, Table B–3, Table B–4, Table B–5, Table B–6).

Of the 59 error cases, 28 recipients had mental disabilities. Of these, 17 had a representative payee. We acknowledge that individuals with significant mental impairments can potentially face more difficulty in understanding and adhering to SSA’s rules. However, our detailed analysis showed that most of the individuals we determined to be in error were either not mentally impaired or had the support and guidance of a representative payee (see Table 1).

Table 1: SSI Error Cases By Impairment Category and Representative Payee Status

| Category | Number of Recipients |
|--|----------------------|
| No Mental Impairment | 31 |
| Mental Impairment, Representative Payee Assigned | 17 |
| Mental Impairment, No Representative Payee | 11 |

For example, one recipient was overpaid more than \$38,000 because she repeatedly failed to report income for herself and her spouse.

¹¹ The 112 sampled SSI recipients included 100 recipients from sampling frame 1 and 12 recipients from sampling frame 2. See Appendix B.

- The first overpayment occurred because the recipient worked in 2004 and 2005 but did not report her income to SSA. When SSA identified the earnings, it assessed an \$875 overpayment.
- The second overpayment occurred because the recipient did not report her spouse's income for 2008 through 2010. SSA identified the spouse's income during a periodic redetermination of eligibility in June 2010. The spouse's earnings record showed that he began working in 2005, and his income averaged over \$35,000 per year through 2010. Accordingly, SSA assessed a \$21,191 overpayment. The recipient requested that this overpayment be waived. SSA denied the request because the claimant was at fault for not reporting the earnings timely.
- Two additional overpayments occurred because the recipient did not report her spouse's income for 2010 through 2012. SSA assessed separate overpayments covering this period totaling \$16,014. This overpayment period began within months of the recipient's prior overpayment for not reporting spousal income.

During our review, we identified millions of dollars in OASDI overpayments that could have been avoided had SSA followed its policy of assuming earnings would continue at previous levels. For SSI, Agency policy states personnel should use reported earnings as an estimate of earnings for future months any time it receives a new report. This includes establishing a logical wage pattern based on reported information and using verified wage data from prior periods.¹² In our sample, we found SSA did not always do this. Our analysis indicated some SSI overpayments could have been avoided had SSA followed its policy. Specifically, we identified 59 recipients who were repeatedly overpaid because earnings affecting their payments were not reported as required. This included recipients who underreported their earnings or did not report in a timely manner and others who did not report at all (see Table 2).

Table 2: Reporting Failures by SSI Recipients that Caused Repeated Overpayments

| Reason | Number of Recipients |
|---|----------------------|
| No Earnings Reported | 14 |
| Earnings Reported Late | 2 |
| Earnings Underreported | 14 |
| Multiple Reporting Failures ¹³ | 29 |
| Total | 59 |

¹² SSA, POMS, SI 00820.150 (September 13, 2013).

¹³ These 29 individuals were overpaid for at least two reasons from among the categories above. For example, a recipient may have failed to report earnings for one period and reported earnings late for a separate period.

We did not calculate the SSI overpayments that could have been avoided because, unlike OASDI benefits, SSI payment amounts fluctuate based on differences in earnings from month to month throughout the year. Therefore, we could not accurately assess the amounts that should have been paid each month using annual earnings records. However, as the previous example shows, we found instances in which SSA had identified overpayments based on actual earnings that had not been previously reported. Had SSA used previously reported information or verified wage data to estimate future earnings, in accordance with its policy, it could have reduced or prevented additional overpayments.

Available Punitive Actions

We identified 129 individuals who repeatedly withheld or misrepresented earnings information. Specifically, the OASDI beneficiaries had between 3 and 9 separate earnings-related overpayments, and the SSI recipients had between 3 and 24. For 3 of the 129 individuals who repeatedly withheld or misrepresented earnings information, SSA had documented that the individuals made false statements. However, we found no instances where SSA used its authority to apply punitive actions.

When individuals repeatedly fail to comply with earnings reporting responsibilities, SSA may consider the use of punitive actions to deter future overpayments. The actions available to SSA include the following.

- **Similar Fault** – Similar fault provisions grant SSA the authority to withhold the full monthly payment from an individual who knowingly makes an incorrect or incomplete statement or conceals information material to a determination. A beneficiary may not request reduced withholding when SSA makes a similar fault determination. Though similar to fraud, a finding of similar fault does not require establishing intent to defraud. Agency policy cites several high-risk factors that increase the probability of similar fault, including cases with unreported work, specifically long patterns of unreported work.
- **Administrative Sanctions** – Administrative sanctions may be applied when an individual makes a false statement, misrepresents a material fact, or fails to disclose information that is material to a determination. When sanctions are applied, payments are withheld as a penalty for improper actions and are not used to reduce or recover an overpayment.¹⁴
- **Penalties**¹⁵ – A penalty may apply when an OASDI beneficiary willfully and knowingly fails to report correct earnings to SSA to avoid deductions under the earnings test.¹⁶ SSA may assess penalties ranging from \$10 to three times the monthly benefit depending on the

¹⁴ SSA, POMS, GN 02604.405 (October 12, 2007).

¹⁵ The penalties discussed in this report refer to those that may be applied by SSA when individuals fail to report earnings timely. These are different than Civil Monetary Penalties, which may be imposed by SSA's Office of the Inspector General in cases of fraud or misconduct.

¹⁶ SSA, POMS, GN 02604.100.A (March 23, 2011).

amount of excess earnings and the number of violations.¹⁷ Beneficiaries have primary responsibility to provide information to ensure correct earnings and other information is used to adjust benefits under the earnings test.¹⁸

Penalties may also be applied to capable adult SSI recipients who fail to report in a timely manner any change that causes a reduction, suspension, or termination of payments. SSA policy states penalties may help encourage recipients to comply with their reporting responsibilities, thereby reducing overpayments.¹⁹

By not applying these provisions when appropriate, SSA risks continued improper payments to individuals who repeatedly fail to report earnings. As the examples in our report show, these repeat offenders will likely continue failing to report earnings because, without repercussions, they have no incentive to do so.

Planned Policy and Systems Changes

Under the *Bipartisan Budget Act of 2015* (BBA), SSA has been granted new authority to implement systems intended to reduce occurrences of improper payments because of beneficiary and recipient earnings.²⁰ However, the new provisions apply only to disabled beneficiaries and recipients.

Specifically, section 824 of the BBA allows SSA to enter into data-exchange agreements with payroll providers to give the Agency access to real-time payroll data for disabled beneficiaries and recipients. SSA intends to use this information to adjust earnings information and payment records more quickly to minimize or prevent improper payments. The BBA states that any individuals who authorize SSA to obtain their wage data will be protected from certain sanctions and penalties. Those who refuse to provide authorization will be excluded from protection.

Additionally, section 826 of the BBA calls for SSA to implement an electronic reporting system that will allow OASDI disability beneficiaries to report their earnings via telephone and the Internet. This system will provide beneficiaries automated receipts. The Agency is developing the system and updating its policy and intends to begin implementing the changes in Fiscal Year 2017.

The planned enhancements face limitations in identifying all overpayments related to earnings. Specifically, these enhancements are not intended to address overpayments to beneficiaries who receive retirement or survivor benefits. Of the 115 OASDI beneficiaries in our sample, 111 received retirement or survivor benefits, and accordingly, would not be subject to the data-

¹⁷ SSA, POMS, GN 02604.120.A (October 27, 2011).

¹⁸ SSA, POMS, RS 02510.015.A.2 (September 11, 2012).

¹⁹ SSA, POMS, SI 02301.100.A (March 23, 2015).

²⁰ *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74 (2015).

sharing agreements as currently planned. Thus, we believe the effect of these new provisions on the findings presented in this report would be minimal.

Additionally, it remains unclear how comprehensive SSA's data-sharing agreements will be. For example, small employers are less likely to use large payroll providers or enter into their own agreements with SSA. SSA will likely have to continue relying on individuals employed by these companies to self-report earnings.

Further, SSA may face issues obtaining complete wage data for individuals with irregular work histories. This includes those who work multiple jobs simultaneously, change jobs frequently, or work seasonal jobs. Finally, SSA will continue relying on self-employed individuals—who do not have payroll providers—to self-report.

CONCLUSIONS

Of our sampled individuals, 61 percent of OASDI beneficiaries and 53 percent of SSI recipients were potentially at fault for causing overpayments because of their repeated failure to comply with reporting requirements. SSA policy explicitly states that once an individual is advised of the correct interpretation of a provision, the individual will be found at fault for any subsequent overpayments involving the same provision. However, we found no indication that SSA had applied punitive actions against any of them.

SSA must ensure it employs available measures to deter abuse and prevent overpayments to individuals who misrepresent, withhold, or conceal their earnings. In addition to punitive actions, SSA should also use prior earnings information to prevent additional overpayments.

RECOMMENDATIONS

We recommend SSA:

1. Use existing punitive actions to deter future overpayments to individuals who have a repeated pattern of noncompliance with earnings reporting requirements.
2. Remind employees to use verified wage data as an estimate of ongoing earnings for retirement and survivor beneficiaries and SSI recipients who do not submit earnings information as required.

AGENCY COMMENTS

SSA agreed with our recommendations. For the full text of SSA's comments, see Appendix C.

A handwritten signature in black ink that reads "Rona Lawson". The signature is written in a cursive style with a large initial 'R' and a long, sweeping underline.

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective we:

- Reviewed applicable Federal laws and regulations, and sections of the Social Security Administration’s (SSA) policies and procedures related to fraud and similar fault findings and overpayment recovery.
- Obtained data from one segment of the Recovery of Overpayments, Accounting and Reporting (ROAR) system for overpayments established from October 1, 2004 through September 8, 2015 and the Supplemental Security Record (SSR) for overpayments established from October 1, 2004 through August 27, 2015.¹
- Grouped overpayment events into categories based on similar causes and reporting requirements using the Type of Event code for Old-Age, Survivors and Disability Insurance (OASDI) and the Reason code for Supplemental Security Income (SSI).²
 - For OASDI, we included Type of Event codes explicitly indicating the overpayment was caused by earnings.
 - Work Outside U.S. (Type of Event code 14)
 - Annual Retirement Test (Type of Event code 17)
 - BOND/BOPD Demo (Type of Event code 80)
 - Extended Period of Eligibility (Type of Event code 39)
 - Employment DIB Cess O/P (Type of Event code 71)
 - For SSI, we included Reason codes for earned income overpayments.
 - Self-Employment Income (Reason code ES)
 - Wages (Reason code EW)

¹ The SSR controls the recovery and collection activities related to SSI overpayments. One segment of the SSR represents 5 percent of the total population of SSI recipients. The ROAR system controls the recovery and collection activities related to OASDI benefit overpayments. One segment of the ROAR represents 20 percent of the total population of OASDI beneficiaries. However, to ensure consistency with the review of the SSR segment, we selected the Social Security numbers that corresponded with one segment of the SSR. Therefore, for purposes of this review, one segment of the ROAR represents 5 percent of the total population of OASDI beneficiaries.

² We excluded overpayments that SSA waived from our analysis.

- To reduce the probability of including individuals in the population who may have unintentionally failed to report earnings or whose earnings were less significant and resulted in smaller overpayments for a short period, we identified a population of
 - 4,052 OASDI primary beneficiaries who had at least 3 earnings-related overpayments that had a combined original balance of at least \$7,320—6 times the average monthly benefit amount as of May 2015 and
 - 8,762 SSI recipients who had at least 3 earnings-related overpayments that had a combined original balance of at least \$3,252—6 times the average monthly benefit amount as of May 2015
- Selected a random sample of individuals from each program for detailed case analysis.
 - **OASDI:** Sampling Frame 1 consisted of 3,975 beneficiaries who had between 3 and 6 overpayments. We randomly selected 100 beneficiaries for review. Sampling Frame 2 consisted of 77 beneficiaries who had 7 or more overpayments. For Sampling Frame 2, we used systematic sampling—selected a random starting point and selected every fifth beneficiary—to select a total of 15 beneficiaries for review.
 - **SSI:** Sampling Frame 1 consisted of 8,704 recipients who had between 3 and 15 overpayments. From Sampling Frame 1, we randomly selected 100 recipients for review. Sampling Frame 2 consisted of 58 recipients with 16 or more overpayments. For Sampling Frame 2, we used systematic sampling—selected a random starting point and selected every fifth recipient—to select a total of 12 recipients for review.
- Reviewed case information, notices, and documentation from SSA’s eView, Debt Management System, Paperless Processing Center, Claims File Records Management System, Detailed Earnings Query, Modernized Supplemental Security Claims System, and Online Retrieval System for sampled individuals.
- Determined whether the beneficiary or recipient’s actions led to the repeated overpayments. This included withholding, concealing, or misrepresenting income to prevent SSA properly adjusting payment amounts. Our review took into consideration unintentional late reporting, processing delays by SSA, and other circumstances beyond the individual’s control.

The entity reviewed was the Office of Payment and Recovery Policy. We conducted our review in the Office of Audit in Kansas City, Missouri, between March and July 2016. We determined that the data used in this report were sufficiently reliable given the review objectives and its intended use. 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 objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLING RESULTS AND PROJECTIONS

We established our population and sampling frames for each program, Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI), as detailed in Appendix A. From Sampling Frame 1 for each program, we selected a random sample of 100 individuals. From Sampling Frame 2 for each program, we selected a systematic random sample of approximately 20 percent of the individuals (see Table B-1).

Table B-1: Sample Size

| Description | Sampling Frame 1 | | Sampling Frame 2 | |
|---|------------------|---------|------------------|-------|
| | OASDI | SSI | OASDI | SSI |
| Sampling Frame Size | 3,975 | 8,704 | 77 | 58 |
| Sample Size | 100 | 100 | 15 | 12 |
| Estimated Total Population (Sampling Frame Size x 20 segments) | 79,500 | 174,080 | 1,540 | 1,160 |

We used statistical projections to make estimates for the entire population based on results from Sampling Frame 1 of each program. For Sampling Frame 2 of each program, we used straight-line estimates to project totals for the entire population. We believe our straight-line estimates for each program's Sampling Frame 2 are representative of the entire population.

From our samples of OASDI beneficiaries, we identified 70 beneficiaries—61 from Sampling Frame 1 and 9 from Sampling Frame 2—who were repeatedly overpaid because of their earnings and could be found at fault for causing or contributing to the overpayments due to their failure to comply with Agency reporting requirements. Based on our sample results, we projected a total of 49,420 beneficiaries met our criteria and could be subject to punitive actions (see Table B-2).

From our samples of SSI recipients, we identified 59—54 from Sampling Frame 1 and 5 from Sampling Frame 2—who were repeatedly overpaid because of their earnings and could be found at fault for causing or contributing to the overpayments due to their failure to comply with Agency reporting requirements. Based on our sample results, we project a total of 94,480 recipients met our criteria and could be subject to punitive actions (see Table B-2).

Table B–2: Individuals Potentially Subject to Punitive Actions

| Description | Sampling Frame 1 | | Sampling Frame 2 | |
|--|------------------|--------|------------------|-----|
| | OASDI | SSI | OASDI | SSI |
| Sample Results (1 segment) | 61 | 54 | 9 | 5 |
| Projected Quantity (1 segment) | 2,425 | 4,700 | 46 | 24 |
| Population Estimate (Projected Quantity x 20 segments) | 48,500 | 94,000 | 920 | 480 |
| Projection – Lower Limit | 2,084 | 3,947 | | |
| Projection – Upper Limit | 2,746 | 5,437 | | |

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

For the 70 OASDI beneficiaries who could be found at fault for causing or contributing to the overpayments, the total original overpayment balance was \$1,534,601. Therefore, we project SSA overpaid a total of \$965,822,620 in OASDI benefits to individuals who were repeatedly overpaid base on their failure to report earnings information and could be subject to punitive actions (see Table B–3).

For the 59 SSI recipients who could be found at fault for causing or contributing to the overpayments, the total original overpayment balance was \$580,024. Therefore, we project SSA overpaid a total of \$923,842,720 in SSI payments to individuals who were repeatedly overpaid base on their failure to report earnings information and could be subject to punitive actions (see Table B–3).

Table B–3: Amount Overpaid to Individuals Potentially Subject to Punitive Actions

| Description | Sampling Frame 1 | | Sampling Frame 2 | |
|--|------------------|---------------|------------------|-------------|
| | OASDI | SSI | OASDI | SSI |
| Sample Results (1 segment) | \$1,167,694 | \$527,821 | \$366,907 | \$52,203 |
| Point Estimate (1 segment) | \$46,415,829 | \$45,941,562 | \$1,875,302 | \$250,574 |
| Population Estimate (Point Estimate x 20 segments) | \$928,316,580 | \$918,831,240 | \$37,506,040 | \$5,011,480 |
| Projection – Lower Limit | \$37,663,271 | \$36,851,734 | | |
| Projection – Upper Limit | \$55,168,388 | \$55,031,390 | | |

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

SSA had not collected all the improper payments issued to the individuals identified in our samples. The outstanding overpayment balance totaled \$273,403 for the OASDI beneficiaries. Therefore, we project SSA had not collected a total of \$177,604,740 of improperly paid OASDI benefits (see Table B–4).

SSA had yet to collect all the improper payments issued to the individuals identified in our samples. The outstanding overpayment balance totaled \$284,325 for the SSI recipients. Therefore, we project SSA has not yet collected a total of \$447,068,700 of improperly paid SSI payments (see Table B-4).

Table B-4: Amount Overpaid to Individuals Potentially Subject to Punitive Actions and Not Yet Collected

| Description | Sampling Frame 1 | | Sampling Frame 2 | |
|--|------------------|---------------|------------------|-------------|
| | OASDI | SSI | OASDI | SSI |
| Sample Results (1 segment) | \$216,024 | \$255,213 | \$57,379 | \$29,112 |
| Point Estimate (1 segment) | \$8,586,967 | \$22,213,697 | \$296,458 | \$139,738 |
| Population Estimate (Point Estimate x 20 segments) | \$171,739,340 | \$444,273,940 | \$5,929,160 | \$2,794,760 |
| Projection – Lower Limit | \$3,811,176 | \$15,570,008 | | |
| Projection – Upper Limit | \$13,362,759 | \$28,857,386 | | |

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

Among OASDI beneficiaries whose overpayments were uncollected, we identified six—three from Sampling Frame 1 and three from Sampling Frame 2—whose overpayments were not being collected. Therefore, we project that 2,680 in the entire population had outstanding overpayments that were not being collected (see Table B-5).

Among SSI recipients whose overpayments were uncollected, we identified 19—18 from Sampling Frame 1 and 1 from Sampling Frame 2—whose overpayments were not being collected. Therefore, we project that 31,440 in the entire population had outstanding overpayments that were not being collected (see Table B-5).

Table B-5: Individuals with Outstanding Overpayments Not Being Collected

| Description | Sampling Frame 1 | | Sampling Frame 2 | |
|--|------------------|--------|------------------|-----|
| | OASDI | SSI | OASDI | SSI |
| Sample Results (1 segment) | 3 | 18 | 3 | 1 |
| Projected Quantity (1 segment) | 119 | 1,567 | 15 | 5 |
| Population Estimate (Projected Quantity x 20 segments) | 2,380 | 31,340 | 300 | 100 |
| Projection – Lower Limit | 34 | 1,045 | | |
| Projection – Upper Limit | 298 | 2,217 | | |

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

The six OASDI beneficiaries from our sample whose overpayments were uncollected and were not being collected had a combined outstanding balance of \$86,649. Therefore, we project that for the entire population, the balance of outstanding overpayments that were not being collected totaled \$42,005,440 (see Table B-6).

The 19 SSI recipients from our sample whose overpayments were uncollected and were not being collected have a combined outstanding balance of \$107,734. Therefore, we project that, for the entire population, the balance of outstanding overpayments that were not being collected totaled \$169,999,660 (see Table B–6).

Table B–6: Amount Overpaid to Individuals Potentially Subject to Punitive Actions and Not Being Collected

| Description | Sampling Frame 1 | | Sampling Frame 2 | |
|--|------------------|---------------|------------------|-------------|
| | OASDI | SSI | OASDI | SSI |
| Sample Results (1 segment) | \$47,972 | \$97,042 | \$38,677 | \$10,692 |
| Point Estimate (1 segment) | \$1,906,887 | \$8,446,523 | \$193,385 | \$53,460 |
| Population Estimate (Point Estimate x 20 segments) | \$38,137,740 | \$168,930,460 | \$3,867,700 | \$1,069,200 |
| Projection – Lower Limit | \$30,813 | \$4,648,500 | | |
| Projection – Upper Limit | \$3,782,961 | \$12,244,545 | | |

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

Of the 70 OASDI beneficiaries who could be found at fault for causing or contributing to the overpayments due to their failure to comply with Agency reporting requirements, we identified 60—51 in Sampling Frame 1 and 9 in Sampling Frame 2—who were subject to the Annual Earnings Test but were overpaid at least once because they failed to provide an estimate of their annual earnings. Therefore, we project that 41,460 beneficiaries in the entire population were overpaid for years when they did not provide an estimate (see Table B–7).

Table B–7: Retirement or Survivor Beneficiaries Who Failed to Provide Earnings Estimate for at Least 1 Year

| Description | Sampling Frame 1 | Sampling Frame 2 | Total |
|--|------------------|------------------|---------------|
| Sample Results (1 segment) | 51 | 9 | 60 |
| Projected Quantity (1 segment) | 2,027 | 46 | 2,073 |
| Population Estimate (Projected Quantity x 20 segments) | 40,540 | 920 | 41,460 |
| Projection – Lower Limit | 1,688 | | |
| Projection – Upper Limit | 2,365 | | |

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

These 60 beneficiaries were overpaid \$689,346 after their initial overpayments for years with no estimate provided. Therefore, we project that, for the entire population, the amount of subsequent overpayments issued to individuals because they failed to provide earnings estimates totaled \$370,736,540 (see Table B–8).

Table B–8: Amount of Subsequent Overpayments to Retirement or Survivor Beneficiaries Due to No Estimate Provided

| Description | Sampling Frame 1 | Sampling Frame 2 | Total |
|--|------------------|------------------|----------------------|
| Sample Results (1 segment) | \$433,429 | \$255,917 | \$689,346 |
| Point Estimate (1 segment) | \$17,228,807 | \$1,311,575 | \$18,540,382 |
| Population Estimate (Point Estimate x 20 segments) | \$344,576,140 | \$26,231,500 | \$370,807,640 |
| Projection – Lower Limit | \$12,436,214 | | |
| Projection – Upper Limit | \$22,021,399 | | |

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

Of the subsequent overpayments to these 60 beneficiaries, we found SSA could have prevented \$562,758 had it used the prior year’s earnings as an estimate for each overpaid year. Therefore, we project SSA issued \$298,230,240 in overpayments that it could have prevented by using prior years’ earnings as an estimate, in accordance with policy (see Table B–9).

Table B–9: Amount of Preventable Overpayments Issued to Retirement or Survivor Beneficiaries Due to No Estimate Provided

| Description | Sampling Frame 1 | Sampling Frame 2 | Total |
|--|------------------|------------------|----------------------|
| Sample Results (1 segment) | \$347,447 | \$215,311 | \$562,758 |
| Point Estimate (1 segment) | \$13,811,034 | \$1,103,469 | \$14,914,503 |
| Population Estimate (Point Estimate x 20 segments) | \$276,220,680 | \$22,069,380 | \$298,290,060 |
| Projection – Lower Limit | \$9,324,263 | | |
| Projection – Upper Limit | \$18,297,806 | | |

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

Of the 70 OASDI beneficiaries who could be found at fault for causing or contributing to the overpayments because of their failure to comply with Agency reporting requirements, we identified 58—52 in Sampling Frame 1 and 6 in Sampling Frame 2—who were overpaid at least once because they provided an estimate of their annual earnings that was less than their actual earnings for the year. Therefore, we project that 41,960 beneficiaries in the entire population were overpaid for years they provided an estimate that was less than their actual earnings (see Table B–10).

Table B–10: Retirement or Survivor Beneficiaries Who Provided Earnings Estimates Lower Than Actual Earnings for at Least 1 Year

| Description | Sampling Frame 1 | Sampling Frame 2 | Total |
|---|------------------|------------------|---------------|
| Sample Results (1 segment) | 52 | 6 | 58 |
| Projected Quantity (1 segment) | 2,067 | 31 | 2,098 |
| Population Estimate (Projected Quantity x 20 segments) | 41,340 | 620 | 41,960 |
| Projection – Lower Limit | 1,727 | | |
| Projection – Upper Limit | 2,404 | | |

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

These 58 beneficiaries were overpaid \$440,448 after their initial overpayments for years with low estimates. Therefore, we project that, for the entire population, the amount of subsequent overpayments issued to individuals because they provided low estimates totaled \$289,194,340 (see Table B–11).

Table B–11: Amount of Subsequent Overpayments to Retirement or Survivor Beneficiaries Who Underestimated Earnings

| Description | Sampling Frame 1 | Sampling Frame 2 | Total |
|---|------------------|------------------|----------------------|
| Sample Results (1 segment) | \$352,311 | \$88,137 | \$440,448 |
| Point Estimate (1 segment) | \$14,004,342 | \$455,375 | \$14,459,717 |
| Population Estimate (Point Estimate x 20 segments) | \$280,086,840 | \$9,107,500 | \$289,194,340 |
| Projection – Lower Limit | \$10,592,701 | | |
| Projection – Upper Limit | \$17,415,984 | | |

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

Of the subsequent overpayments to these 58 beneficiaries, we found SSA could have prevented \$305,049 had it used the prior year’s earnings as an estimate for each overpaid year. Therefore, we project SSA issued \$198,236,460 in overpayments that it could have prevented by using prior years’ earnings as an estimate, rather than relying on beneficiary estimates (see Table B–12).

Table B–12: Amount of Preventable Overpayments Issued to Retirement or Survivor Beneficiaries Who Underestimated Earnings

| Description | Sampling Frame 1 | Sampling Frame 2 | Total |
|---|------------------|------------------|----------------------|
| Sample Results (1 segment) | \$241,033 | \$64,016 | \$305,049 |
| Point Estimate (1 segment) | \$9,581,074 | \$330,749 | \$9,911,823 |
| Population Estimate (Point Estimate x 20 segments) | \$191,621,480 | \$6,614,980 | \$198,236,460 |
| Projection – Lower Limit | \$7,012,757 | | |
| Projection – Upper Limit | \$12,149,390 | | |

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: December 29, 2016

Refer To: SIJ-3

To: Gale S. Stone
Acting Inspector General

From: Frank Cristaudo /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General Draft Report, "Individuals Who Have Multiple Overpayments Caused by Failure to Report Earnings" (A-07-16-50081)--INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“INDIVIDUALS WHO HAVE MULTIPLE OVERPAYMENTS CAUSED BY FAILURE
TO REPORT EARNINGS” (A-07-16-50081)**

Thank you for the opportunity to review the report. We take our responsibility to deter improper payments very seriously. In our fiscal year (FY) 2016 Annual Financial Statement, we reported that, over the last five years, our Old-Age, Survivors and Disability Insurance (OASDI) program payments have been very accurate. For FY's 2011-2015, we paid approximately 4.1 trillion to OASDI beneficiaries, and of that total, we estimated 13.4 billion in overpayments. The percentage of overpayments to total payments for that period was 0.33 percent. Currently, our OASDI overpayment accuracy rate is 99.6 percent. It is important to acknowledge that the sheer magnitude of payments made in the program means that even a small percentage of error results in substantial improper payments.

For the OASDI program, we routinely evaluate our communication strategies to ensure we clearly educate and inform the public regarding their reporting responsibilities when receiving benefits. One aspect of this effort is to ensure beneficiaries understand the effect of wages on their benefits and their responsibility to report earnings to avoid improper payments.

We have the authority to implement punitive actions against beneficiaries who have a repeated pattern of noncompliance with earnings reporting requirements; however, we do not routinely impose penalties. To get to the root cause of why penalties are not routinely imposed, we are developing a survey instrument to assess employee knowledge and their understanding of the punitive actions they can apply (similar fault, administrative sanctions, and penalties) for noncompliance with Agency reporting requirements. The survey results will determine future employee training initiatives and the potential need for policy simplification or clarification.

For the Supplemental Security Income (SSI) program, we have aggressively addressed wage-related improper payments by developing the SSI Mobile Wage Reporting Application and the SSI Telephone Wage reporting system, having recipients establish regular contact with the field offices, and imposing penalties.

As referenced in the report, we are in the process of implementing provision 824 (Use of Electronic Payroll Data to Improve Program Administration) of the Bipartisan Budget Act of 2015, where we will enter into information exchange(s) with electronic payroll data provider(s) to obtain timely wage data for our disability beneficiaries. Under this provision, after we obtain authorization to collect wage data from the payroll provider we will relieve the individual from some reporting responsibilities.

Below are our responses to the specific recommendations.

Recommendation 1

Use existing punitive actions to deter future overpayments to individuals who have a repeated pattern of noncompliance with earnings reporting requirements.

Response

We agree. We currently have Administrative Sanction videos posted to the Office of Learning Library for both [Title II](#) and [Title XVI](#). In calendar year 2016, we released two emergency messages (EM) that addressed this topic. On February 29, 2016, we released [EM-16005 SEN REV](#) to provide guidance on changes to the administrative sanctions business process. On November 28, 2016, we released [EM-16043 SEN](#) to introduce the Administrative Sanction Tool we implemented on December 5, 2016. We also communicated the EM by providing supplemental transmittal training. We are updating the Administrative Sanctions instructions to incorporate both EMs. We are also developing a Video on Demand training video focused on Administrative Sanctions, which we will release in January 2017. The training provides field office and regional office employees' instructions for processing and documenting administrative sanction cases referred to the Office of Inspector General. It also provides an overview of the Administrative Sanctions tool, which employees will use to track and monitor these cases.

Based on all the activities highlighted above, we consider this recommendation closed for tracking purposes.

Recommendation 2

Remind employees to use verified wage data as an estimate of ongoing earnings for retirement and survivor beneficiaries and SSI recipients who do not submit earnings information as required.

Response

We agree. We will draft and issue an Administrative Message to remind employees to use verified wage data as an estimate of ongoing earnings for retirement and survivor beneficiaries and SSI recipients who do not contact us to submit earnings information as required.

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