



Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Administrative Sanctions and  
Benefit Withholding

042303 June 2026



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** June 29, 2026

**Refer to:** 042303

**To:** Frank Bisignano  
Commissioner

**From:** Michelle L. Anderson *Michelle L. Anderson*  
Assistant Inspector General for Audit as First Assistant

**Subject:** Administrative Sanctions and Benefit Withholding

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration correctly processed administrative sanctions and recovered related overpayments.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit.

Attachment

# Administrative Sanctions and Benefit Withholding

## 042303



June 2026

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) correctly processed administrative sanctions and recovered related overpayments.

### Background

SSA may impose an administrative sanction when an individual commits fraud, makes a false or misleading statement, or fails to report information that is material in determining Old-Age, Survivors, and Disability Insurance (OASDI) or Supplemental Security Income (SSI) eligibility, continuing eligibility, or calculating payments.

A field office employee makes the sanction determination. When SSA imposes a sanction, it withholds current or future benefits. For individuals who receive both OASDI and SSI benefits, the sanction applies to both programs. If the individual is not receiving benefits, SSA defers imposing the sanction until the first month's benefit is due.

If a sanctionable action results in an overpayment, SSA may recover the overpayment by withholding current or future monthly benefits due the individual. When fraud or similar fault contributed to the creation of the overpayment, SSA will withhold the individual's full benefit amount to recover the overpayment.

We reviewed 2 random samples for a total of 225 individuals referred for potential sanction between June 1, 2017 and May 31, 2022.

### Results

Of 225 sampled individuals, we did not identify errors on sanctions for 57 (25 percent) based on our review of available evidence. However, SSA employees and systems made errors on sanctions for 168 (75 percent). Based on our sample results, we estimate SSA employees and systems made errors when they processed sanctions for 1,921 individuals, with errors that resulted in SSA improperly paying 454 individuals \$49.6 million. Employees also made errors when they documented sanctions for an estimated 3,532 individuals. Without adequate documentation, SSA could not effectively monitor whether employees took required actions and may not be able to support its sanction actions if individuals challenge the Agency's decisions. Specifically, we found employees:

- Withheld benefits for the wrong months, for an inappropriate duration, or before appeal rights expired.
- Should have suspended benefits to impose sanctions for individuals who were receiving benefits but did not.
- Did not adequately document sanctions' development, determinations, and approvals or add required language to SSA records about imposed or deferred sanctions.
- Did not send correct and/or complete initial sanction determination notices or benefit suspension notices.
- Did not recover overpayments in accordance with policy for individuals whom SSA overpaid because of a sanctionable event, such as failing to report a marriage or income.

### Conclusion

SSA can improve how it processes and documents sanctions and ensure it pursues full recovery of overpayments resulting from sanctionable events. In doing so, SSA can help maintain the integrity of its programs, ensuring sanctions remain an effective tool to prevent and respond to fraud.

### Recommendations

We made seven recommendations for SSA to improve controls over administrative sanctions processing and related overpayment recovery, including updating its policies and improving system interfaces, edits, and/or automated alerts. SSA agreed to implement our recommendations.

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## **ABBREVIATIONS**

AS Tool	Administrative Sanctions Tool
GAO	Government Accountability Office
MACADE	Manual Adjustment Credit and Award Data Entry system
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Management System
POS	Post Entitlement Online System
Pub. L. No.	Public Law Number
RSC	Regional Sanctions Coordinator
SSA	Social Security Administration
SSI	Supplemental Security Income
SSICS	Supplemental Security Income Claims System
SSR	Supplemental Security Income Record
U.S.C.	United States Code

## **FORM**

SSA-553	<i>Special Determination</i>
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## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) correctly processed administrative sanctions and recovered related overpayments.

## BACKGROUND

Federal law allows SSA to impose administrative sanctions to prevent, or respond to, fraud and abuse in its Old-Age, Survivors, and Disability Insurance (OASDI) or Supplemental Security Income (SSI) programs.<sup>1,2</sup> When an individual makes a false or misleading statement, or fails to report information that is material in determining OASDI or SSI eligibility, determining continuing eligibility, or calculating payments, SSA may impose a sanction. A sanction allows SSA to withhold a beneficiary's current or future benefits.<sup>3,4</sup> According to SSA policy, imposing administrative sanctions will help SSA prevent, or respond to, fraud and abuse in SSA programs and operations.

### Administrative Sanction Process

SSA requires that employees refer cases identified for potential sanction to the Office of the Inspector General (OIG).<sup>5</sup> OIG evaluates the referral, and its Office of Investigations may investigate for fraud and present the case for potential criminal prosecution, civil prosecution, or penalties. If the Department of Justice declines to prosecute and OIG's Office of the Counsel to the Inspector General does not impose civil monetary penalties, OIG refers the case back to SSA for sanction development. After the OIG returns the case to SSA, a field office employee makes the sanction determination.<sup>6</sup> For certain cases, the Regional Sanctions Coordinator (RSC) must review the determination before the field office employee takes further action.<sup>7</sup>

When an SSA field office employee imposes a sanction, they first send the individual a notice. The notice must state why SSA is imposing the sanction, inform the individual of the sanction months, and explain their appeal rights. For individuals who are not receiving benefits, the sanction is deferred and the notice does not specify the sanction months. Instead, the notice must explain that SSA will withhold any future benefits for which the individual becomes eligible because of the deferred sanction.<sup>8</sup>

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<sup>1</sup> *Foster Care Independence Act of 1999*, Pub. L. No. 106-169, § 207, 113 Stat. 1822, pp. 1837 through 1839; *Social Security Protection Act of 2004*, Pub. L. No. 108-203, § 201, 118 Stat. 493, pp. 507-08; *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74, § 824, 129 Stat. 584, p. 610.

<sup>2</sup> SSA, *POMS*, GN 02604.447, G.1 (January 26, 2022).

<sup>3</sup> We use the term beneficiary throughout the report to refer to OASDI beneficiaries and SSI recipients.

<sup>4</sup> SSA, *POMS*, GN 02604.400, B (January 6, 2022).

<sup>5</sup> SSA, *POMS*, GN 02604.447, G.1 (January 26, 2022).

<sup>6</sup> SSA, *POMS*, GN 02604.430, A (February 20, 2024).

<sup>7</sup> For example, the RSC must review cases where there may be insufficient evidence to support the sanction. SSA, *POMS*, GN 02604.430, F (February 20, 2024).

<sup>8</sup> SSA, *POMS*, GN 02604.455 (August 24, 2023) and GN 02604.460 (August 24, 2023).

When SSA imposes a sanction, the beneficiary does not receive benefits during the sanction period, and no underpayment is created. To impose a sanction, a field office employee records sanction information and suspends benefits on the Master Beneficiary Record (MBR) and Supplemental Security Income Record (SSR) for the OASDI and SSI programs, respectively. A sanction lasts for a specified period of consecutive months: 6 months (first occurrence), 12 months (second occurrence), or 24 months (each subsequent occurrence). If the sanctioned individual is concurrently receiving OASDI and SSI benefits, the sanction applies to benefits under both programs for the same months, regardless of the program under which the sanctionable act occurred.<sup>9</sup>

If SSA approves a sanction and the individual is not entitled to, or eligible for, OASDI benefits or SSI payments, SSA defers imposing the sanction until the first month a benefit is due under either program. There is no time limit for SSA to impose the sanction. When SSA defers the sanction, an employee must annotate the MBR's special message (for OASDI) and SSR's remarks field (for SSI) with language that there is a deferred sanction.<sup>10</sup>

Prior OIG and Government Accountability Office (GAO) reports as well as SSA's internal reviews found the Agency did not routinely use sanctions and did not impose sanctions when they were likely warranted.<sup>11,12,13</sup>

## Overpayment Recovery

An action that leads to a sanction may also result in SSA overpaying the individual. For example, if an individual fails to report income that affects their benefit amount, SSA may sanction the individual by suspending current or future benefits for the sanction period and separately determine whether it overpaid benefits for the period affected by the unreported income. If a sanctionable action also results in an overpayment, SSA may recover the overpayment by withholding the beneficiary's monthly benefits after SSA resumes their benefit payments. Benefits SSA suspended during the sanction period are not used to recover the overpayment. When fraud or similar fault contributed to the creation, or amount, of an overpayment, SSA will apply full benefit withholding to recover the overpayment and will not approve a request for partial withholding of benefits.<sup>14</sup> SSA defines similar fault as when an individual knowingly makes an incorrect or incomplete statement or conceals information material to a determination.<sup>15</sup> SSA can find similar fault without establishing an individual's intent to defraud.

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<sup>9</sup> SSA, POMS, GN 02604.405, A.3, C (January 7, 2022).

<sup>10</sup> SSA, POMS, GN 02604.435, C (August 24, 2023).

<sup>11</sup> SSA, OIG, *The Social Security Administration's Use of Administrative Sanctions in the Old-Age, Survivors and Disability Insurance Program*, A-07-07-17052 (September 2008) and *Individuals Who Have Multiple Overpayments Caused by Failure to Report Earnings*, A-07-16-50081 (January 2017).

<sup>12</sup> GAO, *Disability Insurance: SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Deter Potential Fraud*, GAO-16-331 (April 2016).

<sup>13</sup> SSA, Office of Budget, Finance, Quality, and Management, *Administrative Sanctions Process Report* (April 2014) and *Administrative Sanctions Process Final Report* (May 2015).

<sup>14</sup> SSA, POMS, GN 02210.030, E (October 8, 2024).

<sup>15</sup> 42 U.S.C. §§ 405(u)(2), 1383(e)(7)(B).

## **Administrative Sanctions Tool**

SSA's Administrative Sanctions Tool (AS Tool) is a database that captures cases identified for potential sanction and tracks the cases' development through completion. The AS Tool allows the user to provide case remarks; respond to action items that guide their case development; and annotate whether SSA completed the case by imposing, or declining to impose, a sanction. SSA decommissioned the original AS Tool in October 2024, noting "a new tool [was] in development." In March 2025, SSA released a new AS Tool to improve how the Agency tracks case processing, the available management information, and reminders of action items. (We did not review the new AS Tool as SSA released it after the scope of our review.)

## **SCOPE AND METHODOLOGY**

We obtained data for the 6,568 individuals we referred to SSA for potential sanction between June 1, 2017 and May 31, 2022. As of September 2023,

- 508 (8 percent) individuals' benefit records indicated SSA had imposed sanctions; we randomly sampled 100 of these individuals for review.
- 6,060 (92 percent) individuals' benefit records did not indicate SSA had imposed sanctions. We randomly sampled 125 of these individuals for review.

For each beneficiary in our sample whom SSA sanctioned, we determined whether the Agency correctly processed the sanction. In addition, if the individual's sanctionable act also resulted in an overpayment, we determined whether SSA took appropriate action to recover the overpayment. For individuals whose MBR and/or SSR did not indicate SSA imposed a sanction, we reviewed available documentation to determine whether SSA approved a sanction. Based on our review of available evidence for the 225 sampled individuals, we determined SSA approved 135 for sanction.

## **RESULTS OF REVIEW**

Of 225 sampled individuals, we did not identify errors on sanctions for 57 (25 percent) based on our review of available evidence. However, SSA employees and systems made errors on sanctions for 168 (75 percent). Specifically, SSA made errors when it processed sanctions for 122 individuals—40 of which resulted in \$129,681 in improper payments—and when it documented the sanctions for 140 individuals. (SSA made errors when processing 28 sanctions, documenting 46 sanctions, and both processing and documenting sanctions for 94 individuals.)

Employees and systems made the following errors on sanctions for the 168 individuals (some sanctions had multiple errors), when they:

- Withheld benefits for the wrong months, for an inappropriate duration, or before appeal rights expired for 47 individuals.
- Should have suspended benefits to impose sanctions for 2 individuals who were receiving benefits but did not.

- Did not adequately document sanctions' development, determinations, and approvals or add required language to SSA records about imposed or deferred sanctions for 140 individuals.
- Did not send correct and/or complete initial sanction determination notices to 18 individuals or benefit suspension notices to 73 individuals.
- Did not recover overpayments in accordance with policy for 52 individuals whom SSA overpaid because of a sanctionable event, such as failing to report a marriage or income.

Based on our sample results, we estimate SSA employees and systems made errors when they processed sanctions for 1,921 individuals. These errors resulted in SSA improperly paying an estimated 454 individuals a total of \$49.6 million. We also estimate employees made errors when they documented sanctions for 3,532 individuals. Without adequate documentation, SSA could not effectively monitor whether employees took required actions and may not be able to support its sanction actions if individuals challenge the Agency's decisions.

## Determining Sanction Months

To determine the period for which an individual should be sanctioned, an SSA employee must consider the sanction notice date, the due-process period, pending appeals, the date SSA reconsidered and affirmed the sanction, and whether SSA previously sanctioned the individual.<sup>16</sup> If an individual does not ask SSA to reconsider the decision to impose a sanction, the sanction period begins on the first day of the second month after the month in which the individual's reconsideration rights end.<sup>17</sup> For example, if the period during which an individual may request a reconsideration ends on January 10, the 6-month benefit suspension would begin on March 1 and end on August 31.<sup>18</sup>

If the individual requests a reconsideration and SSA affirms the sanction, the sanction period begins on the first day of the second month following the month the Agency notifies the individual of its decision.<sup>19</sup> For instance, if SSA affirms the sanction on June 30, a 6-month benefit suspension would begin on August 1 and end on January 31. To suspend benefits, an employee must manually enter the sanction start and stop dates into the Post Entitlement Online System (POS) or the Manual Adjustment Credit and Award Data Entry (MACADE) system for OASDI, and into the SSI Claims System (SSICS) for SSI.<sup>20</sup>

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<sup>16</sup> SSA, POMS, GN 02604.435, A (August 24, 2023), GN 02604.405 B (January 7, 2022), and GN 02604.430, (February 20, 2024).

<sup>17</sup> SSA, POMS, GN 02604.405, B.1.a (January 7, 2022).

<sup>18</sup> SSA, POMS, GN 02604.435, B.1 (August 24, 2023).

<sup>19</sup> SSA, POMS, GN 02604.405, B.1 (January 7, 2022).

<sup>20</sup> SSA, POMS, GN 02604.440, A (November 18, 2020).

Of the 225 individuals we sampled, SSA approved sanctions for 135. Of those, SSA employees imposed the sanctions for 47 (35 percent) but suspended benefits for the wrong months, for an inappropriate duration, or before the individuals' appeal rights expired. Employees did not enter the correct sanction start and stop dates in SSA's systems and, as a result, SSA withheld \$12,759 less than it should have for 17 individuals and \$18,527 more than it should have for 7 individuals.<sup>21</sup>

**Example 1.** An SSA employee determined an SSI beneficiary should be sanctioned for 6 months (from May to October 2021) because the beneficiary made a false statement about their medical condition to receive SSI payments. However, SSA withheld payments for only 5 months (from May to September 2021) because the employee input incorrect information into SSICS. As a result, SSA paid the beneficiary \$690 in October 2021 that should have been suspended because of the sanction.

We could not determine why employees did not enter the correct sanction start and stop dates. However, our discussions with SSA subject-matter experts and walkthrough of the sanction process found workload complexity and systems limitations likely contributed to the errors. The sanctions process and related policy is complex and requires that employees take manual actions in multiple systems. POS and SSICS do not prevent employees from inputting incorrect sanction months. As noted in prior audits, such manual actions can be error-prone.<sup>22</sup> To address these issues, SSA could establish system interfaces and edits or alerts to ensure employees suspend benefits for the correct sanction months and duration. Additional edits or alerts in POS and SSICS could help prevent employees from inputting incorrect sanction months. For example, an alert reminding employees not to impose a sanction until the appeal period expires, may prevent employees from imposing a sanction too soon.

In March 2025, SSA added more checkboxes and links to policy to its AS Tool to help remind employees to delay sanctions when there are pending appeals.<sup>23</sup> However, as of April 2026, SSA had not updated its related policies to match these changes.

For example, policy tells employees to add a note in the Remarks section of the AS Tool noting they are postponing the sanction determination even though the new version of the AS Tool included checkboxes for employees to select when they postponed a sanction.<sup>24</sup> SSA subject-matter experts advised that "Impending updates to related policies and procedures include several new business requirements within the Administrative Sanction workload." In conjunction with adding additional systems edits or alerts, updating policy to align with revised sanctions processing steps could help ensure employees accurately determine sanction periods.

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<sup>21</sup> For the remaining 23 of the 47 individuals, the errors did not result in improper payments as the total amount of benefits that were sanctioned equaled the amount that would have been sanctioned had the errors not occurred.

<sup>22</sup> SSA, OIG, *Manual Processes for Resource-intensive Workloads*, A-07-19-50882 (July 2023); GAO, *Disability Insurance: SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Defer Potential Fraud*, GAO-16-331 (April 2016).

<sup>23</sup> We did not test the effectiveness of the updated functionality because it was outside the scope of our audit.

<sup>24</sup> SSA, *POMS*, GN 02604.430, B (February 20, 2024).

## Sanctions Approved but Not Imposed

When an individual is receiving concurrent OASDI and SSI benefits, an administrative sanction applies to benefits under both programs for the same months. If the individual has a representative payee and that payee knowingly makes a false statement on the individual's behalf or fails to disclose information that should have been reported, SSA can sanction the payee's own benefits.<sup>25</sup> If an employee approves a sanction and the individual is not entitled to, or eligible for, OASDI or SSI benefits, the SSA employee will defer the sanction until the first month the individual is due benefits under either program.<sup>26</sup>

SSA employees should have imposed sanctions for 22 (16 percent) of our sampled 135 individuals but did not. This comprised 19 individuals for whom SSA employees had approved sanctions and 3 representative payees whom SSA should have sanctioned along with the beneficiaries. All 22 individuals were receiving benefits and, as a result, the Agency improperly issued benefits that totaled \$99,170 that it should have suspended for sanction. Employees made errors when they

- did not suspend all benefits paid to individuals who were concurrently receiving OASDI and SSI benefits, were receiving benefits under other Social Security numbers, or subsequently became entitled to benefits and/or
- retroactively determined individuals were not due benefits the Agency previously sanctioned and did not update the records to show SSA should withhold benefits when the individuals become entitled to benefits in the future.

**Example 2.** Based on the results of a disability investigation, an SSA employee sanctioned an individual for knowingly providing false and misleading statements during her consultative examination. As a result of the investigation's findings, SSA also retroactively terminated the beneficiary's entitlement to disability. As such, when the beneficiary subsequently filed a new claim and became entitled, the employee should have sanctioned and suspended her benefits for 6 months, a penalty totaling over \$5,000. However, the employee did not.

Based on our discussions with SSA subject-matter experts and a walkthrough of the sanction process, we believe AS Tool limitations and reliance on complex manual processing may have contributed to errors in the application of sanctions. For example, the AS Tool did not have a field for employees to confirm whether an individual was receiving benefits under multiple records or a separate Social Security number. Employees could update the AS Tool to indicate cases were complete, even if they did not impose sanctions on the appropriate records.

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<sup>25</sup> SSA, POMS, GN 02604.405, A.3 (January 7, 2022). A representative payee is a third party who manages the Social Security benefits of a beneficiary who is incapable of managing or directing the management of their own benefits. SSA, POMS, GN 00502.001, B (January 26, 2017).

<sup>26</sup> SSA, POMS, GN 02604.405, B.2 (January 7, 2022).

Without systems controls, employees may overlook required actions because they must take separate actions for each benefit program and payment record to impose sanctions for a single beneficiary. Further, for deferred sanctions, SSA relied on a manual process to identify and suspend benefits when individuals subsequently became entitled to them. SSA systems did not alert employees to impose a previously deferred sanction when individuals applied for, and began receiving, benefits.

SSA could prevent future errors by improving controls to (1) ensure employees apply sanctions when individuals are receiving benefits under multiple records or separate Social Security numbers and (2) alert employees when individuals with deferred sanctions begin receiving benefits. SSA has other systems that automatically identify records subject to other types of benefit suspension.

For example, the Prisoner Update Processing System automatically identifies and alerts employees when SSA should suspend an individual's benefits because of a period of imprisonment. If similarly applied to sanctions, SSA's systems could automatically identify records when a sanctioned individual becomes entitled to benefits under either program and alert employees when they should impose the sanction. SSA subject-matter experts agreed that an AS Tool that interfaces with other SSA systems could reduce manual errors but they indicated such an interface would require the Agency to enhance their systems.

## **Documenting Sanctions Development**

Field office employees must take several steps to document their sanction development and determinations.

- Employees use the AS Tool to document and support their sanction decision, obtain required approvals, identify sanction-related overpayments, and indicate whether the case is completed. The Tool includes drop-down menu selections, checkboxes, date fields, and free format remarks.
- Employees must use either the Form SSA-553 or the Report of Contact screen to document their sanction determination. Their determination must include the allegation, details of the sanctionable act, supporting evidence, the sanction decision, and the approving official's signature, if required.<sup>27</sup> RSCs review the determinations for some categories of cases.<sup>28</sup> For example, RSCs review cases where employees decline to impose sanctions but there are factors that indicate sanctions may be appropriate. For other categories, designated field office employees review the determinations for accuracy and policy compliance.<sup>29</sup>

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<sup>27</sup> SSA, POMS, GN 02604.430, C (February 20, 2024).

<sup>28</sup> SSA, POMS, GN 02604.430, F (February 20, 2024).

<sup>29</sup> SSA, POMS, GN 02604.430, (February 20, 2024).

- Employees must add information about approved current or deferred sanctions to the MBR special message field using POS/MACADE for OASDI beneficiaries and the SSR remarks field using SSICS for SSI beneficiaries. For individuals whose current benefits SSA could sanction, the entries should detail the sanction and the sanction period. For individuals whose sanction SSA deferred because they are not currently receiving benefits, employees should note “Admin Sanc [applies] when entitled/eligible under [OASDI] or [SSI] Refer to Administrative Sanctions Tool.”<sup>30</sup>

Employees did not adequately document their sanction development and determination for 140 (62 percent) of our 225 sampled beneficiaries. This occurred when employees did not (1) document a sanction determination on an SSA-553 or Report of Contact screen in accordance with policy; (2) add to the MBR and/or SSR required language about an approved or deferred sanction; or (3) completely or correctly update the AS Tool with key information, such as the sanction reason, approvals, appeal requests and outcomes, and sanction type and duration. Missing or incomplete documentation hinders SSA’s ability to effectively monitor the workload, which may result in employees not taking required sanction actions. Further, without the required documentation, SSA may not be able to support its sanction actions if individuals challenge the Agency’s decisions.

**Example 3.** An SSA employee approved a sanction in January 2018 because an SSI recipient did not report he returned to work. Because the recipient was not receiving payments when the employee made the sanction determination, SSA deferred the sanction. The employee did not add the required information to the SSR about the deferred sanction. As a result, when the recipient became eligible for SSI payments in September 2023, SSA employees were unaware of the sanction and did not impose it. As of April 2026, SSA had not imposed the sanction. As a result, SSA incorrectly paid the recipient \$5,046 in payments it should have suspended.

Before SSA updated the AS Tool in March 2025, the Tool did not store supporting documentation. Instead, employees were required to update the AS Tool, then upload supporting documentation in another repository. The updated Tool supports uploading such documents as the Form SSA-553 and notices.<sup>31</sup> However, as of May 2026, SSA had not updated its policies related to sanctions documentation. Policies in place at the time of our review required that employees upload documentation to the other repository and did not instruct employees to upload information into the updated AS Tool. Policy is also unclear on which records employees should update with information about an approved current or deferred sanction. For example, policy instructs employees to add a special message to the MBR or a remark on the SSR.<sup>32</sup> However, some individuals may have received both OASDI and SSI benefits, supporting the need for employees to add language to both the MBR and the SSR. SSA indicated it was working to clarify the policies. SSA could improve sanctions documentation by updating its policies to clarify how employees should store sanction determinations and when they should add sanction language to the MBR and/or SSR.

<sup>30</sup> SSA, POMS, GN 02604.435, C (August 24, 2023) and GN 02604.440, A (November 18, 2020).

<sup>31</sup> We did not test the effectiveness of the updated functionality because it was outside the scope of our audit.

<sup>32</sup> SSA, POMS, GN 02604.435, C (August 24, 2023) and GN 02604.440, A (November 18, 2020).

Based on our discussions with SSA subject-matter experts and a walk-through of the AS Tool, we believe, if SSA further improves the AS Tool, it may help prevent human error by reminding/requiring that employees complete fields with key information when they process sanctions. For example, employees could process sanctions without including all required information in the AS Tool.

According to subject-matter experts, the Tool's March 2025 release no longer allows employees to complete cases without the proper approvals annotated. Though the new Tool may improve documentation for categories of cases RSCs are required to review, not all cases require review. Since RSCs do not review and approve all categories of sanctions cases, SSA could take other steps to strengthen controls over employees' documentation, such as requiring that RSCs periodically review a sample of all sanction categories. We identified cases during our sample review where the RSCs identified unsupported sanction determinations and required field office employees to take corrective action. SSA could further enhance the AS Tool by adding alerts that employees must review or resolve before completing processing, or reminders to review certain fields for subsequent changes.

## **Incorrect, Incomplete, or Missing Notices**

### ***Initial Determinations***

SSA mails notices to individuals that field office employees determined should be sanctioned. Employees use templates to manually prepare and send initial notices that inform individuals of their decision to impose sanctions.

For an individual who is receiving benefits, the notice specifies the months during which the sanction will apply; provides the reason for the sanction; and informs the individual they have 60 days to appeal the sanction decision. For an individual who is not receiving either OASDI or SSI benefits, the notice explains, because of the deferred sanction, SSA will not pay future benefits when the individual becomes entitled or eligible.<sup>33</sup>

SSA employees determined 135 (60 percent) of the 225 sampled individuals should have been sanctioned and notified the individuals. However, for 18 of the 135 individuals, either we could not locate the notices or the notices contained incorrect/incomplete information. Employees neither sent accurate notices nor stored notices in the appropriate repository. Without copies of the notices, SSA cannot be sure employees appropriately notified individuals of their decisions to impose sanctions, and the Agency may not be able to support its sanction actions should the individuals challenge the Agency's decisions.

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<sup>33</sup> SSA, *POMS*, GN 02604.455 (August 24, 2023); SSA, *POMS*, GN 02604.460 (August 24, 2023).

**Example 4.** An employee sanctioned an individual who had been making false statements about her living arrangements since December 2012. SSA suspended her SSI payments beginning January 2019. However, neither we nor SSA subject-matter experts could locate a notice the Agency sent to the sanctioned individual informing her of the sanction and her appeal rights.

### ***Benefit Suspensions***

When SSA takes an action that results in the suspension of a beneficiary's benefits, it must send notice of the action. The notice language is generally automated and includes information about the individual's right to due process—opportunity to appeal the decision.<sup>34</sup> When the suspension is related to a sanction and the field office employee sends the initial notice with appeal rights, if the individual does not file an appeal or the appeal affirms the sanction decision, SSA should not send notices with additional due process.<sup>35</sup>

SSA sent additional notices to 77 (57 percent) of the 135 sampled individuals informing them the Agency was suspending their benefits.<sup>36</sup> However, notices to 73 of these individuals provided additional appeal rights that should not have been granted because they were already provided with the initial sanction notices.

This occurred because SSA's systems did not work as intended and employees did not manually suppress suspense notices when required. For OASDI cases, policy states that POS automatically suppresses the suspense notice when the MBR contains sanctions data.<sup>37</sup> For SSI cases, employees should manually suppress the suspense notice. For both OASDI and SSI cases, when SSA's systems generated the notices, they incorrectly provided sanctioned individuals additional appeal rights. As a result, sanctioned individuals submitted additional requests for reconsideration to SSA, which created additional work for employees.

**Example 5.** In November 2019, an employee sanctioned a beneficiary who was receiving benefits because she did not report to SSA information material to her benefits. The employee sent the beneficiary a notice that explained the sanction determination and informed her of her right to appeal the decision. After the appeal period ended, SSA sent another notice in March 2020 that explained SSA would suspend her benefits beginning in March 2020. This notice incorrectly provided an additional appeal period. As a result, the beneficiary requested reconsideration of the decision. Though SSA did not change its initial determination, granting the individual another appeal period resulted in additional work for employees.

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<sup>34</sup> SSA, *POMS*, GN 02604.455 (August 24, 2023), and GN 02604.460 (August 24, 2023).

<sup>35</sup> SSA, *POMS*, GN 02604.440, A.1 (November 18, 2020).

<sup>36</sup> Suspense notices were not required for the remaining 58 individuals. SSA sent correct suspense notices to 4 of the 77 individuals.

<sup>37</sup> SSA, *POMS*, GN 02604.440, A.1 (November 18, 2020).

Before SSA updated the AS Tool in March 2025, the Tool did not store notices. Instead, employees were required to manually prepare notices then upload them in another repository. The updated Tool supports uploading notices, which may help ensure employees store notices in the appropriate repository.<sup>38</sup>

We could not determine the effect of the updated AS Tool on notice quality because, as of September 2025, though SSA had released the new AS Tool, it had not yet begun using it. However, SSA could do more to improve the accuracy of its sanction notices. For example, for one sampled individual, an RSC reviewed the sanction decision and notice and sent them back to the field office employee for corrections. After making the corrections, the employee sent the sanctioned individual an accurate notice.<sup>39</sup> RSCs do not review all sanctions. To improve notice accuracy, SSA could establish a process for RSCs to periodically review sanction notices to identify and address quality issues. Further, SSA should update its systems to issue accurate notices.

## Overpayment Recovery

According to policy,<sup>40</sup> SSA withholds 100 percent of benefits to recover overpayments if the overpayment is the result of fraud or similar fault. SSA does not require a finding of fraud or similar fault to impose an administrative sanction.<sup>41</sup> However, when employees document a sanction determination, they must specify the false or misleading statement(s) the individual made or the material information the individual failed to report and record any related overpayment.<sup>42</sup> Also, employees may establish similar-fault determinations in addition to sanctioning individuals. When employees establish similar fault, they collect and document information similar to that used for sanctions.

Of the 225 sampled individuals, 89 (40 percent) had overpayments related to a sanctionable event. SSA did not take actions to recover 52 of the 89 individuals' overpayments and improperly approved partial benefit withholding to recover the overpayments. Though employees indicated possible fraud and similar fault when they made sanction determinations, they did not document a similar fault determination. For cases where SSA employees documented fraud or similar fault determinations, employees did not follow policy that required full benefit withholding to recover the overpayments and incorrectly removed fraud indicators from overpayments when they transferred them to other records.

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<sup>38</sup> We did not test the effectiveness of the updated functionality because it was outside the scope of our audit.

<sup>39</sup> Because of a lack of documentation for the sanctions we reviewed, we could not quantify how many notices employees corrected after RSC review.

<sup>40</sup> SSA, POMS, GN 02210.030, E (October 8, 2024).

<sup>41</sup> SSA, POMS, GN 02604.410, A.2 (June 13, 2025).

<sup>42</sup> SSA, POMS, GN 02604.415, A (May 4, 2020).

**Example 6.** SSA sanctioned an SSI recipient for improper use of a Social Security number. SSA sent the beneficiary a notice that explained the sanctionable act also resulted in a \$113,716 overpayment. However, the employee did not document a similar fault determination for the overpayment. As a result, SSA allowed partial withholding of \$94 per month from the beneficiary's benefits to recover the overpayment. Had the employee documented a similar fault determination for the overpayment based on information obtained during the sanction process, SSA could have recovered the overpayment sooner if it withheld the beneficiary's full monthly benefit of \$848.

According to SSA subject-matter experts, employees did not always take appropriate action to recover overpayments because they processed the sanction and the related overpayment recovery actions separately. If the overpayment is processed separately, employees may not be aware of the sanctionable event, documented fraud or similar fault determinations, or need to make a similar fault determination.

Related policies and sanctions processing guidance did not always clearly instruct employees to consider whether overpayments were related to sanctionable actions and, if so, consider fraud or similar fault as appropriate. As a result, SSA missed opportunities to withhold 100 percent of the sanctioned individuals' benefits to recover the overpayments in cases when fraud or similar fault was, or should have been, documented, which delayed their full recovery.<sup>43</sup>

While we recognize SSA has separate procedures to make fraud or similar fault determinations on overpayments and process sanctions, SSA could do more to maximize its use of administrative actions to deter abuse in its programs. To do so, SSA should ensure its procedures instruct employees to use information developed during the sanctions process to document similar fault determinations on related overpayments and ensure full benefit withholding when appropriate.

## CONCLUSION

SSA can improve how it processes and documents sanctions and ensure it pursues full recovery of overpayments resulting from sanctionable events. In doing so, SSA can help maintain the integrity of its programs, ensuring sanctions remain an effective tool to prevent and respond to fraud.

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<sup>43</sup> SSA, POMS, GN 02210.030, E (October 8, 2024). SSA should withhold 100 percent of benefits to recover overpayments when fraud or similar fault contributed to their creation.

## **RECOMMENDATIONS**

We recommend SSA:

1. Review, and take appropriate corrective action for, the cases identified in this audit.
2. Update policies to reflect changes in sanctions processing guidance, clarify how employees should store sanction determinations, and specify when employees should add sanction language to the MBR and/or SSR.
3. Establish system interfaces, edits, and/or automated alerts to improve sanctions processing, including ensuring employees suspend benefits under all appropriate records for the correct months and durations and notifying employees when an individual with a deferred sanction begins receiving benefits.
4. Improve controls over employees' documentation of sanction development and determinations, such as edits that require that relevant fields in the AS Tool be completed and a sanctions coordinator or designated expert periodically review a sample of all sanction categories.
5. Establish a process for a sanctions coordinator or designated expert to periodically review sanction notices to identify and address quality issues.
6. Update its systems to issue accurate sanction suspense notices to individuals.
7. Revise policies and procedures to instruct employees to document fraud or similar fault determinations on overpayments related to sanctionable actions to ensure SSA implements full withholding when applicable.

## **AGENCY COMMENTS**

SSA agreed to implement our recommendations. See Appendix C. SSA also provided technical comments in response to our draft report, which we incorporated into this final report as appropriate.

# ***APPENDICES***

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and Social Security Administration’s (SSA) policies and procedures.
- Mapped the administrative sanction process to understand and evaluate the actions SSA took to impose a sanction.
- Reviewed processing guides and other Agency resources that assist staff with processing cases involving sanctions.
- Identified SSA employees responsible for developing and documenting the case to support imposing a sanction and approving or denying the sanction.
- Reviewed the Office of the Inspector General’s (OIG) procedures for referring cases to SSA for potential sanction.
- Reviewed computer systems and databases used to record and process sanction cases.
- Followed up on SSA’s actions to address the recommendations from prior audits.
- Interviewed, and obtained information from, SSA subject-matter experts on the sanction process.
- Obtained data for the 6,568 individuals our Office of the Council to the Inspector General referred to SSA for potential sanction between June 1, 2017 and May 31, 2022.
  - From the 6,568 individuals, we identified 2 sampling frames.
    - Sampling Frame 1 included 508 (8 percent) of the individuals whose benefit records indicated SSA imposed sanctions as of September 2023. For Old-Age, Survivors, and Disability Insurance beneficiaries’ Master Beneficiary Records contained the administrative sanctions suspension segment, administrative sanctions code identifying previous sanction months, or an administrative sanctions code showing benefits were currently suspended because of the penalty.

Supplemental Security Income recipients’ Supplemental Security Records contained the administrative sanctions code in the computation history segment to identify previous sanction months or an administrative sanctions code showing benefits were suspended because of the penalty.
    - Sampling Frame 2 included 6,060 (92 percent) of the individuals whose benefit records did not indicate the Agency imposed a sanction.
  - To determine whether SSA correctly processed cases identified for potential sanction, we reviewed stratified random samples of 100 individuals from Sampling Frame 1 and 125 individuals from Sampling Frame 2. See Appendix B for details.

- For each sample item, we determined whether SSA processed and documented the sanctions in accordance with its policies and procedures. If the individual's sanctionable act resulted in an overpayment, we also determined whether SSA took appropriate recovery actions. For processing errors, we calculated the net amount of any improper payments, by comparing the amount of benefits SSA should have sanctioned against the amount of benefits, if any, it sanctioned.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the five internal control components: Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring. In addition, we reviewed the principles of internal controls associated with the audit objective. We identified the following components and principles as significant to the audit objective:

- Component 1: Control Environment
  - Principle 5: Enforce accountability
- Component 2: Risk Assessment
  - Principle 7: Identify, analyze, and respond to risks
- Component 3: Control Activities
  - Principle 10: Design control activities
- Component 5: Monitoring
  - Principle 16: Perform monitoring activities

We assessed the reliability of data provided by conducting electronic testing, tracing random samples of data to source documents, reviewing related documentation and studies, and comparing to published data. We determined the data were sufficiently reliable for the purposes of this report.

The principal entities audited were SSA's Offices of Operations and Retirement and Disability Policy. We conducted our review from December 2023 through September 2025. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

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### Sampling Methodology

We established two sampling frames as detailed in Appendix A. See Table B–1.

**Table B–1: Sampling Frame Sizes**

Description	Sampling Frame Size
Sampling Frame 1 - Individuals with a sanction indicator	508
Sampling Frame 2 - Individuals without a sanction indicator	6,060
<b>Total</b>	<b>6,568</b>

To conduct this review, we used a stratified random sample statistical approach to review each of the sampling frames. This is a standard statistical approach used for creating a sample where a population is divided into homogenous groups or strata (for example, age or dollar ranges). As a result, each sample item in each sampling frame had an equal chance of being selected throughout the sampling process, and the selection of one item had no impact on the selection of other items. Therefore, we chose a sample that represented the sampling frame, absent human biases, and ensured statistically valid conclusions of, and projections to, the entire population under review. Our sampling approach for this review ensures that our reported projections are statistically sound and defensible.

To determine whether the Social Security Administration (SSA) correctly processed cases identified for potential sanction, we reviewed stratified random samples of 100 individuals from Sampling Frame 1 and 125 individuals from Sampling Frame 2. We further stratified the random samples based on the individual's payment status as of September 2023. For an approved sanction, the individual's payment status determines whether SSA may impose an immediate sanction for an individual in current pay status or must defer the sanction for an individual in non-pay status until they begin receiving benefits. See Table B–2.

**Table B–2: Stratified Sample Sizes**

Payment Status as of September 2023	Sampled Individuals from Sampling Frame 1	Sampled Individuals from Sampling Frame 2	Total Sample
Current Pay	75	40	115
Non-Pay	25	85	110
<b>Combined Totals</b>	<b>100</b>	<b>125</b>	<b>225</b>

### Sample Results and Projections

For samples from each sampling frame, we determined whether SSA processed and/or documented the administrative sanction correctly. For processing errors, we determined whether SSA made improper payments.

## Processing Errors

Of the 225 sampled individuals from both sampling frames, SSA employees and systems made processing errors for 122, of which 40 resulted in improper payments with a net amount of \$129,681. Based on our sample results, we estimate employees and systems made errors when processing sanctions for 1,921 individuals, with errors resulting in SSA improperly paying 454 individuals \$49.6 million.

From Sampling Frame 1, employees and systems made errors when processing sanctions for 92 of the 100 sampled individuals, of which 34 resulted in improper payments totaling \$80,824. Projecting these results to the sampling frame, we estimate employees and systems made errors when processing cases for 467 individuals with sanction indicators, with errors resulting in SSA improperly paying 163 individuals \$316,603. See Table B-1: and Table B-2: .

**Table B-1: Sampling Frame 1 – Quantity of Processing Errors**

Description	Processing Errors
Sample Results	92
Projected Point Estimate	467
Projection-Lower Limit	441
Projection-Upper Limit	485
Note: All statistical projections are at the 90-percent confidence level	

**Table B-2: Sampling Frame 1 – Improper Payments**

Description	Errors with Improper Payments	Improper Payments
Sample Results	32 <sup>1</sup>	\$56,357
Projected Point Estimate	163	\$292,136
Projection-Lower Limit	128	\$182,004
Projection-Upper Limit	201	\$402,269
Total Projected Improper Payments (Projected Point Estimate Plus Outlier Actual Amount of \$24,467)		\$316,603
Note: All statistical projections are at the 90-percent confidence level		

From Sampling Frame 2, employees and systems made errors when processing sanctions for 30 of the 125 sampled individuals, of which 6 resulted in improper payments totaling \$48,857. Projecting these results to the sampling frame, we estimate employees and systems made errors when processing cases for 1,454 individuals without sanction indicators, with errors resulting in SSA improperly paying 291 individuals \$49,345,469. See Table B-3 and Table B-4.

<sup>1</sup> Two errors totaling \$24,467 were considered statistical outliers compared to the other errors; therefore, we excluded the dollar amount from the projections.

**Table B-3: Sampling Frame 2 – Quantity of Processing Errors**

Description	Processing Errors
Sample Results	30
Projected Point Estimate	1,454
Projection-Lower Limit	1,085
Projection-Upper Limit	1,881
Note: All statistical projections are at the 90-percent confidence level	

**Table B-4: Sampling Frame 2 – Improper Payments**

Description	Errors with Improper Payments	Improper Payments
Sample Results	6	\$48,857
Projected Point Estimate	291	\$49,345,469
Projection-Lower Limit	130	\$27,708,283
Projection-Upper Limit	558	\$70,982,655
Note: All statistical projections are at the 90-percent confidence level		

### Documentation Errors

Of the 225 sampled individuals from both sampling frames, SSA employees made documentation errors on sanctions for 140. Based on our sample results, we estimate SSA employees made errors when documenting sanctions for 3,532 individuals.

From Sampling Frame 1, employees made documentation errors on sanctions for 75 of the 100 sampled individuals.<sup>2</sup> Projecting these results to the sampling frame, we estimate employees made errors when documenting cases for 381 individuals with sanction indicators. See Table B-1.

**Table B-1: Sampling Frame 1 – Quantity of Documentation Errors**

Description	Documentation Errors
Sample Results	75
Projected Point Estimate	381
Projection-Lower Limit	344
Projection-Upper Limit	413
Note: All statistical projections are at the 90-percent confidence level	

<sup>2</sup> Sample cases could contain both documentation and processing errors. Of the 75 cases with documentation errors, 69 contained processing errors, as well.

From Sampling Frame 2, employees made documentation errors on sanctions for 65 of the 125 sampled individuals.<sup>3</sup> Projecting these results to the sampling frame, we estimate employees made errors when documenting cases for 3,151 individuals without sanction indicators. See Table B–2.

**Table B–2: Sampling Frame 2: Quantity of Documentation Errors**

Description	Documentation Errors
Sample Results	65
Projected Point Estimate	3,151
Projection-Lower Limit	2,688
Projection-Upper Limit	3,610
Note: All statistical projections are at the 90-percent confidence level	

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<sup>3</sup> Sample cases could contain both documentation and processing errors. Of the 65 cases with documentation errors, 25 contained processing errors, as well.

## Appendix C – AGENCY COMMENTS

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### SOCIAL SECURITY Office of the Commissioner

#### MEMORANDUM

**Date:** June 8, 2026 **Refer To:** TQA-1

**To:** Michelle L. Anderson  
Acting Inspector General

**From:** Chad Poist /s/  
Chief Risk Officer

**Subject:** Office of the Inspector General Draft Memorandum “Administrative Sanctions and Benefit Withholding” (042303) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendations. The agency is dedicated to combating fraud and has worked diligently to enhance the administrative sanctions process. In partnership with the Office of the Inspector General, we are improving the administrative sanctions tool to create a streamlined process that enables technicians to identify and prevent fraud more effectively. These enhancements and system integrations are expected to provide technicians with timely, accurate, and relevant information, making it easier to apply administrative sanctions. This will help ensure compliance with established policies and procedures, while also increasing the detection and reporting of fraudulent activities.

Please let me know if I can be of further assistance. You may direct staff inquiries to Amy Gao, Director of the Audit Liaison Staff.



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