

**U.S. House of Representatives**

**Committee on Ways and Means  
Subcommittee on Social Security and  
Subcommittee on Oversight**



**Statement for the Record**

**Hearing on Social Security's Payment Accuracy**

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

**June 14, 2011**

Good afternoon, Chairman Johnson, Chairman Boustany, Ranking Member Becerra, Ranking Member Lewis, and members of both subcommittees. It is a pleasure to appear before you, and I thank you for the invitation to testify today. I have appeared before Congress many times to discuss issues critical to the Social Security Administration (SSA) and the services the Agency provides to American citizens. Today, we are discussing SSA's efforts to identify and reduce improper payments and improve payment accuracy. This is an important undertaking for SSA, as Agencies across the Federal government are working to improve their reporting of improper payments and to develop solutions to eliminate and prevent wasteful spending.

Federal agencies reported \$125 billion in improper payments for Fiscal Year (FY) 2010—an increase of \$15 billion from FY 2009. As Federal employees, we must ensure that taxpayer dollars are being spent wisely and effectively, and that government benefits are administered correctly. Improper payments are any payments from a Federal program that should not have been made or were made in an incorrect amount; not all improper payments are overpayments, as underpayments are also considered improper. Improper payments cover a number of financial transactions; in SSA's case, they are largely benefit payments made to ineligible program participants. They can also be incorrect payments to individuals or firms, or they can be the result of documentation and administrative errors, authentication and medical errors, or verification errors.

Congress passed the *Improper Payments Elimination and Recovery Act (IPERA)* in July 2010, with the goal of reducing improper payments by \$50 billion by 2012. Since the President issued Executive Order 13520 on Reducing Improper Payments in November 2009 and signed IPERA, Federal agencies and their inspectors general have worked closely with the Office of Management and Budget (OMB) and the Treasury to identify and reduce improper payments.

Since the Office of the Inspector General (OIG) at SSA was established in 1995, our primary goal has been to identify and help reduce SSA's improper payments. Our auditors in this fiscal year have completed reviews on potential SSA overpayments—*Social Security Income (SSI) Recipients with Unreported Real Property*—as well as potential underpayments—*Dedicated Account Underpayments Payable to Children*.

- In our report on potential SSI overpayments, released this month, we used a commercial database to determine the accuracy of SSA's determinations of SSI recipients' real property resources that could affect their SSI eligibility or payment amount. A sample of SSA's SSI recipient population against database records revealed that some recipients owned one or more real properties that they had not previously reported to the Agency. Projecting our findings to the entire population, we estimated that SSA had improperly paid about 320,000 recipients more than \$2.2 billion because of their unreported real property.

Using a cost-benefit analysis, we determined the Agency could save about \$8 for every \$1 it spent using a commercial database for developing ownership and value of resources in either an SSI initial claim or redetermination—and total SSA savings for FY 2011 would be about \$350 million. We recommended that SSA assess the costs and benefits of using such a database to determine the accuracy of SSI recipients' allegations of resources; the Agency agreed with our recommendations. Whichever public record service SSA ultimately decides to use in the future, we believe it is reasonable for SSA to use it to identify potential improper payments.

- In our report on dedicated account underpayments payable to children, released in November 2010, we found SSA did not pay an estimated 7,775 underpayments totaling approximately \$35 million. Generally, this occurred because SSA did not have adequate controls to ensure that representative payees established dedicated accounts for the children in their care. The OIG sample included three organizational representative payees that did not establish dedicated accounts for almost \$370,000 in underpayments for 47 children.

We recommended that SSA identify and take corrective action on the population of SSI recipients who have dedicated account underpayments, and to remind employees to ensure they notify representative payees of any underpayments that require the establishment of a dedicated account. SSA agreed with our recommendations.

Also in FY 2010, our investigators achieved \$62.6 million in SSA recoveries and restitutions and totaled \$293.2 million in projected savings from programs such as our Cooperative Disability Investigations (CDI) initiative, which detects potential fraud and limits improper SSA disability payments.

Our audit findings and recommendations and our investigative initiatives have proven to be successful tools to help SSA identify, recover, and reduce improper payments. Executive Order 13520 and IPERA included a number of provisions that required input from the Council of Inspectors General on Integrity and Efficiency (CIGIE). With a history of identifying SSA's improper payments, our office was asked to take a leadership role in the process; SSA/OIG serves as a liaison for CIGIE to work with OMB on implementation of IPERA and the Executive Order. This liaison role has included attending workgroup meetings, reviewing and commenting on work plans, and coordinating among IGs and OMB and the Treasury.

For FY 2009, SSA reported improper payments totaling \$8 billion, including underpayments and overpayments, the third-highest amount of improper payments in the year, behind the Department of Health and Human Services (DHHS) (\$71.4 billion) and the Department of Labor (\$17.5 billion). SSA's Supplemental Security Income (SSI) program made \$48.3 billion in total payments, including an estimated \$4 billion in overpayments and an estimated \$800 million in underpayments, resulting in a 10 percent improper payment rate; SSA projects it will reduce that rate to 9.2 percent in FY 2011 and to 8.7 percent by FY 2012. SSA's Retirement, Survivors, and Disability Insurance (RSDI) program made \$659.6 billion in total payments, including an estimated \$2.5 billion in overpayments and an estimated \$600 million in underpayments, for a 0.5 percent improper payment rate; SSA projects it will reduce that rate to 0.4 percent in FY 2011. Verification and local administration errors, such as a beneficiary's unreported or undetected financial accounts and wages, cause the majority of SSA's improper payments, according to the Agency. SSA has reported it has a number of programs in place to protect the public's tax dollars, including:

- The Agency plans to commit \$796 million toward program integrity efforts in FY 2011, an increase of \$38 million over last year's funding.
- SSA conducts both medical and work-based continuing disability reviews (CDRs) to determine if a beneficiary remains disabled and eligible, as well as SSI redeterminations to re-evaluate any nonmedical factors, such as income or resources, that would affect eligibility or the benefit amount.

The Agency states that unavoidable overpayments are not considered improper payments if laws, regulations, or court orders require SSA to make the payments. For example, the *Social Security Act* allows individuals to request a continuation of their benefits while they appeal an adverse action. If the appeal is not decided in their favor, the resulting overpayment is not considered improper because it was statutorily required at the point it was made. Also, SSA, due to limited funding and increasing core workloads, in recent years has not conducted medical CDRs at the level it should to prevent certain payments from occurring. Payments that would not have been made if a medical CDR was conducted when due are also *not counted* as improper payments. We, however, still believe these payments should be part of the discussion about SSA's payment accuracy, because they are payments that should not have been made and could have been preserved by performing all identified medical CDRs. We released two reports toward the end of 2010 related to SSA's reporting of improper payments:

- In *SSA's Reporting of High-Dollar Overpayments under Executive Order 13520*, released in December 2010, we determined that SSA addressed the Executive Order requirements and provided payment accuracy results based on its stewardship review sample cases, but the Agency's methodology did not detect existing high-dollar overpayments. We determined overpayments could have been identified through analysis of SSA's systems.
- In *SSA's Plan to Reduce Improper Payments Under Executive Order 13520*, released in September 2010, we encouraged SSA to continue to seek funding to cover the cost for key prevention tools such as CDRs and SSI redeterminations; and to evaluate legislative proposals to determine those that would have a positive effect on the detection, prevention, and collection of improper payments.

We have made many recommendations in recent years to SSA that support OIG's primary focus on program integrity. In a March 2010 report, *Full Medical Continuing Disability Reviews*, we determined SSA's number of completed medical CDRs declined by 65 percent from FY 2004 to FY 2008, resulting in a significant CDR backlog. We estimated SSA would have avoided paying at a minimum \$556 million during Calendar Year 2011 if the medical CDRs in the backlog had been conducted when they were due. SSA estimates the medical CDR savings-to-cost ratio is \$12-to-\$1, but while 2.8 million CDRs will become due in FY 2011, the agency will only complete about half that are due, leaving a projected backlog of 1.4 million.

Work-related CDRs are necessary when earnings indicate a disability beneficiary has returned to work at the "substantial gainful activity" level (earnings of \$1,000 per month). We have conducted two audits of SSA's work CDRs—in 2004 and in 2009. In an April 2009 report, we found the Agency was not conducting all work CDRs due, leading to \$1.3 billion in overpayments undetected by SSA.

In a July 2009 report, *SSI Redeterminations*, we found that redeterminations decreased by more than 60 percent from FY 2003 to FY 2008 (2.5 million to 900,000), and we estimated that SSA could have saved an additional \$3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level in did in FY 2003. SSA has reported that it saves \$7 for every \$1 spent on redeterminations, and the Agency plans to conduct more than 2.2 million redeterminations in FY 2011 and 2.6 million in FY 2012.

As evidenced by CDRs and redeterminations, it is important for SSA to utilize any and all tools that can prevent payment errors before they occur. My office for years has encouraged SSA to use data matching and access other similar private databases to ensure program integrity and protect Agency funds.

In April 2008, my office released the report, *SSI Recipients with ATM Withdrawals Indicating They Are Outside the United States*. SSI recipients who are outside the United States for more than 30 consecutive days are not eligible to receive payments. We issued subpoenas to obtain the financial information of SSI recipients and analyzed the resulting data; based on a sample, we estimated that SSA failed to detect about \$225 million in overpayments because 40,560 recipients did not inform SSA of their absence from the United States.

We recommend that SSA explore options that might help detect unreported residency violations, including assessing the feasibility of obtaining electronic bank statements with transaction-level data or acquiring a data-sharing agreement with the Department of Homeland Security for access to their Traveler Enforcement Compliance System (TECS). If Agency action was not taken, we estimated SSA would continue to lose \$100 million annually to SSI recipients outside the United States. We recently received a request for report on SSA's progress in addressing this issue from Senator Tom Coburn, and we are in the process of requesting the necessary data from financial institutions to complete our review.

Similarly, OIG recommended SSA obtain beneficiaries' bank account information, rather than rely on SSI recipients' self-reporting of resources—money above the resource limit held by SSI recipients is a leading cause of payment errors. The Agency in recent years implemented the Access to Financial Institutions (AFI) Project, which allows SSA to check an applicant or recipient's bank accounts to verify resources. AFI has been implemented in 36 States, which represents more than 80 percent of the SSI population, and SSA plans to implement AFI in the remaining States this year. SSA expects AFI to yield \$20 in savings for every \$1 spent on the program by 2013 when the program is fully implemented. By 2013, SSA projects approximately \$900 million in lifetime program savings for each year the Agency uses AFI.

We have also recommended SSA obtain death information electronically, as well as information on beneficiaries' marital status; explore data exchanges with States that maintain automated workers' compensation databases; and consider obtaining vehicle information from States to verify the resources of SSI recipients.

We in OIG also conduct data-matching efforts, but the *Computer Matching and Privacy Protection Act* requires formal computer-matching agreements that can take years to complete. This prolonged process can delay or derail time-sensitive audit and investigative projects. In 2010, DHHS obtained an exemption for data matches designed to identify fraud, waste, or abuse. We are pursuing a similar exemption through a legislative proposal.

The CDI program is another critical piece of our improper payment reduction effort. The CDI program is a joint effort by SSA and the OIG, working with State Disability Determination Services, and State or local law enforcement agencies, to pool resources and expertise for preventing fraud in SSA's disability programs. The program currently consists of 23 units covering 21 states, with the most recent unit opening in Oklahoma City, Oklahoma this month. Since the CDI program was established in FY 1998, its efforts nationwide have resulted in \$1.7 billion in projected savings to SSA's disability programs; and \$1 billion in projected savings to non-SSA programs. We are committed to expanding the CDI program, with plans to open two additional units by the end of FY 2011 and increase CDI coverage to 23 states.

The OIG's support for stewardship initiatives has never wavered. IPERA allows up to 5 percent of the amounts collected from recovery auditing by an agency to be used by the IG of that agency; the money is to be used to carry out this new law or any other activities of the IG relating to investigating improper

payments of auditing internal controls associated with payments. However, this provision applies only to recoveries of overpayments made from discretionary appropriations, and for SSA/OIG, that applies only to recoveries of overpayments made from SSA's administrative expenses, not SSA's benefit programs.

Thus, we continue to pursue the establishment of a self-supporting program fund for activities such as the CDI program, CDRs, and redeterminations, to ensure payment accuracy—that applicants and beneficiaries are eligible at the time they apply and as long as they remain in payment status. The proposal would provide for indefinite appropriations to make available to SSA 25 percent, and to OIG 2.5 percent, of actual overpayments collected based on detection of erroneous overpayments SSA collects. These funds would be available until spent for stewardship activities.

In conclusion, the President has outlined an aggressive plan of action to reduce improper payments and improve payment accuracy throughout the Federal government. Thus far, agencies like SSA are working to improve their reporting of improper payments and identify overpayment and underpayment causes and solutions, even when budgets are limited and staff workloads are increasing. This important collaboration among Federal agencies, OMB, the Treasury, and the CIGIE will continue in an effort to improve administrative efficiency and service delivery.

The OIG has done, and continues to do, significant audit and investigative work to identify areas where SSA can be vulnerable to improper payments, and to recommend actions to reduce and eliminate those errors. The OIG encourages the Agency to commit to stewardship activities like CDRs, redeterminations, and data-matching agreements to ensure SSA prevents improper payments from occurring in the first place. We will continue to provide information to SSA's decision-makers and to these Subcommittees, and we look forward to assisting in these and future efforts.

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