



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## *Audit Report*

### Follow-up on Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients

*A-03-18-50277 | September 2022*



# Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

## MEMORANDUM

**Date:** September 20, 2022

**Refer to:** A-03-18-50277

**To:** Kilolo Kijakazi  
Acting Commissioner

**From:** Gail S. Ennis,   
Inspector General

**Subject:** Follow-up on Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration's corrective actions in response to our prior audit effectively improved its processing of Internal Revenue Service non-wage-related alerts.

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

# Follow-up on Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients

## A-03-18-50277



September 2022

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration's (SSA) corrective actions in response to our prior audit effectively improved its processing of Internal Revenue Service (IRS) non-wage-related alerts.

### Background

SSA issues Supplemental Security Income (SSI) payments to individuals and couples (two eligible individuals who live together and are married or present themselves to the public as husband and wife) who are aged, blind, or disabled and meet income and resource limits. SSA receives financial transactions from the IRS to help detect SSI recipients' unreported wage and non-wage income. SSA uses the IRS data to assign codes to recipients' records and generate alerts in SSA systems. In response to the alerts, SSA staff should verify the income with the recipients and/or financial institutions and adjust or terminate SSI payments, if applicable.

In a December 26, 2013 audit, we found that SSA's process did not always create IRS alerts for SSI recipients and/or couples with non-wage income that would have likely affected their SSI eligibility. Without the alerts, field office employees were not always made aware of the non-wage income nor required to review its effect on the recipients' SSI eligibility or payment amounts. In response to our audit, SSA implemented enhancements to its IRS non-wage-related alert process.

### Results

Enhancements SSA made in response to our prior report were not fully effective in improving its processing of IRS non-wage-related alerts. SSA implemented a systems change to ensure it alerted the records of SSI recipients with income or resources above SSA's tolerance levels. The enhancement did not work as intended for all SSI couple cases, as some SSI couples' cases with income above SSA's tolerance level were not alerted for review. Couples' cases are coded to be alerted if they had both non-wage income and resources above tolerances, not if they only have non-wage income over the income tolerance. As a result, SSA did not generate alerts for 17,894 couples who had \$3,000 or more in unreported non-wage income in Tax Years (TY) 2016 to 2018. We estimate that, because SSA's system did not alert staff to review the income, the Agency was unaware it may have improperly paid 4,700 of them approximately \$29 million.

We also found SSA did not always develop cases timely, even though SSA considers IRS non-wage-related alerts a high priority workload. As noted in our 2013 report, SSA policy does not require that staff resolve non-wage-related alerts before the Agency overwrites the IRS data in its systems, which it does 2 TYs after the data are added. We reviewed a sample of SSI recipients' records with non-wage-related IRS alerts pending for 1 year or more, beginning our review 4 months after we obtained the data. We found SSA developed some cases after we obtained the data, but the majority of the alerts remained unresolved. For the alerts SSA addressed, it did not fully or correctly develop the recipients' non-wage income in all cases. We estimate SSA did not correctly develop, or failed to develop, non-wage-related IRS alerts for approximately 5,130 SSI recipients. As a result, SSA had not detected that it may have improperly paid them approximately \$34 million.

### Recommendations

We made four recommendations, including that SSA alert the records of SSI couples with non-wage income and/or resources above established tolerances and update SSA policy to establish timeframes for staff to resolve non-wage-related alerts timely. SSA agreed with three recommendations, but disagreed with our recommendation on updating its policy.

# TABLE OF CONTENTS

Objective.....	1
Background.....	1
Income .....	1
Resources .....	2
Internal Revenue Service Alerts .....	2
Prior Audit .....	3
Administrative Finality .....	4
Methodology .....	4
Results of Review .....	4
Supplemental Security Income Couples .....	5
Timeliness of Developing Internal Revenue Service Alerts.....	5
Sample Results.....	7
Recommendations .....	8
Agency Comments.....	8
Appendix A – Scope and Methodology .....	A-1
Appendix B – Prior Office of the Inspector General Audit Report .....	B-1
Appendix C – Sampling Results and Projections.....	C-1
Appendix D – Agency Comments.....	D-1

## **ABBREVIATIONS**

C.F.R.	Code of Federal Regulations
CY	Calendar Year
IRS	Internal Revenue Service
OIG	Office of the Inspector General
<i>POMS</i>	Program Operations Manual System
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
TY	Tax Year
U.S.C.	United States Code

## OBJECTIVE

To determine whether the Social Security Administration's (SSA) corrective actions in response to our prior audit effectively improved its processing of Internal Revenue Service (IRS) non-wage-related alerts.<sup>1</sup>

## BACKGROUND

SSA administers the Supplemental Security Income (SSI) program under Title XVI of the *Social Security Act*.<sup>2</sup> The Agency<sup>3</sup> issues SSI payments to individuals and couples<sup>4</sup> who are aged, blind, or disabled and meet income and resource limits.<sup>5</sup> SSI recipients<sup>6</sup> are required to report changes that may affect their eligibility for benefits, including changes of address, living arrangements, and/or earned or unearned income amounts.<sup>7</sup>

### Income

SSA defines income as anything SSI recipients receive in cash or in kind that can be used to meet their need for food or shelter.<sup>8</sup> Income can be earned, such as through wages or self-employment, or unearned, such as through pensions, interest, property sales, winnings, and dividends. SSA does not count all income when it determines SSI eligibility and/or payment amounts. For example, small amounts of income received irregularly or infrequently may not be countable.

The amount of an individual's countable income may affect their SSI eligibility or the amount of their SSI payment. The more countable income recipients have, the less they are eligible to receive in SSI payments. Recipients whose countable income exceed the allowable limit are ineligible for SSI payments.

When recipients receive cash or something in kind, SSA may count it as income in the month they received it. If they retain it into the following month, SSA may count it as a resource for that month and any additional months it continues to remain an asset.<sup>9</sup>

---

<sup>1</sup> SSA, OIG, *Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients*, A-03-13-13106 (December 2013).

<sup>2</sup> *Social Security Act* § 1601; 42 U.S.C. § 1381; see also 20 C.F.R. § 416.101.

<sup>3</sup> Throughout this report, when we use the term "the Agency," we are referring to SSA.

<sup>4</sup> SSA, *POMS*, SI 02005.030A.2 (May 9, 2012). SSA defines an SSI couple as two eligible individuals who live together and are married or present themselves to the public as husband and wife. Some IRS alerts are assigned to couples that contain an eligible individual and a spouse who is ineligible at the time of alert issuance.

<sup>5</sup> *Social Security Act* § 1611; 42 U.S.C. 1382; and SSA, *POMS*, SI 00501.001 (January 18, 2005).

<sup>6</sup> Throughout this report, when we use the term "recipients," we are referring to both individuals and couples receiving SSI payments.

<sup>7</sup> *Social Security Act* § 1614(f)(3) and 1631(e)(1); 20 C.F.R. § 416.701-416.714.

<sup>8</sup> 20 C.F.R. § 416.1102.

<sup>9</sup> SSA, *POMS*, SI 01110.600 (October 26, 1995).

## Resources

SSA defines resources as cash or liquid assets or any real or personal property that someone could convert to cash and use for support and maintenance.<sup>10</sup> Similar to income, SSA does not count all resources when it determines recipients' eligibility for SSI payments.<sup>11</sup> For example, it does not count as a resource the home in which a recipient resides.<sup>12</sup> The resource limit for SSI eligibility is \$2,000 for individuals and \$3,000 for couples.<sup>13</sup> If the value of recipients' countable resources is over the allowable limit at the first moment of the calendar month, they are ineligible for SSI payments for that month.<sup>14</sup> Recipients remain ineligible for SSI until their resources are below the limit.<sup>15</sup>

## Internal Revenue Service Alerts

Per the *Deficit Reduction Act of 1984*, SSA receives financial information from the IRS to help detect unreported wage and non-wage income that may affect recipients' SSI eligibility or payment amounts.<sup>16</sup> In March, June, and December of each year, SSA submits to the IRS a list of SSI recipients. The IRS matches the list against its records and provides SSA with information on income associated with those individuals.<sup>17</sup> Once received, SSA's systems process the income information to identify those SSI recipients whose unreported income is most likely to lead to changes in their SSI eligibility or payment amounts.

When the match detects recipients who have unreported income and/or resources that exceed SSA's established tolerances,<sup>18</sup> the Agency processes them through a statistical profiling module to determine the probability of overpayments. The module assigns each recipient a score based on the estimated overpayment. Based on the assigned score, the system ranks recipients from highest to lowest risk for overpayments and codes those more likely to lead to overpayments to be alerted. To resolve the non-wage-related alerts, SSA employees must verify the income with the recipients and/or financial institutions and adjust/terminate SSI

---

<sup>10</sup> 20 C.F.R. § 416.1201(a)(b)(c).

<sup>11</sup> SSA, *POMS*, SI 01110.001, B.2 (July 1, 1990), SSA, *POMS*, SI 01110.210 (September 23, 2014).

<sup>12</sup> SSA, *POMS*, SI 01110.210, B. (September 23, 2014), SSA, *POMS*, SI 01130.100 (February 12, 2010).

<sup>13</sup> 20 C.F.R. § 416.1205(c).

<sup>14</sup> SSA, *POMS*, SI 01110.001, B.1 (July 1, 1990), SSA, *POMS*, SI 01110.600 (October 26, 1995).

<sup>15</sup> SSA, *POMS*, SI 01110.003, A.1 (December 8, 2010).

<sup>16</sup> *Deficit Reduction Act of 1984*, Pub. L. No. 98-369, Division B – *Spending Reduction Act of 1984, Title VI, Subtitle C*, §2651, 98 Stat. 494, 1147; see also JCS-41-84, *General Explanation of the Revenue Provisions of the Deficit Reduction Act of 1984* (H.R.4170, 98<sup>th</sup> Congress; Public Law 98-369), IV. (B), Prepared by the Staff of the Joint Committee on Taxation, p.1218 (December 31, 1984).

<sup>17</sup> The IRS provides information on non-wage income reported on such IRS forms as 1099-CAP (*Changes in Corporate Control and Capital Structure*), 1099-Q (*Qualified Tuition Payments*), W-2 G (*Statement of Gambling Winnings*), and 1065-K1 (*Partners Share of Income, Credits, Deductions, etc.*). The IRS also provides SSA wage-related information. For purposes of our review, we focused on non-wage information.

<sup>18</sup> The Agency's established income tolerance is \$1,001 or more for individuals and couples and resource tolerance is \$61 or more for individuals and \$101 or more for couples. SSA, *POMS*, SI 02310.045, A3. (January 25, 2017).

payments, if applicable.<sup>19</sup> SSA maintains IRS data for 2 Tax Years (TY), the current and prior year, after which the Agency overwrites it with new data.

## **Prior Audit**

In our 2013 audit of *Processing of Internal Revenue Service Alerts for Supplemental Security Income Recipients*,<sup>20</sup> we found SSA's process did not always create IRS non-wage-related alerts for individuals and/or couples who were receiving SSI payments and had income that would have likely affected their eligibility. This happened because SSA's system assigned codes that did not generate an alert even though the income reported exceeded SSA's established tolerances. Without the non-wage-related alerts, field office employees were not made aware of the non-wage income recipients did not report to SSA or the need to determine whether it affected recipients' SSI eligibility or payment amounts. This led to SSA not identifying individuals who received more in SSI payments than they were eligible to receive.

We recommended SSA revise its profiling criteria for couples who received SSI and had income above the tolerance to include these cases as part of the profiling model to determine the probability of an overpayment. In September 2014, SSA changed its profiling criteria and published instructions to inform technicians of the change.

We also recommended SSA review its existing statistical profiling model to determine whether cases with significant income and resources were more likely to lead to an overpayment and should be sent to a field office for development. In April 2015, SSA informed us that it completed an analysis to determine whether the model could more effectively identify cases with significant reported IRS income likely to lead to the detection and prevention of an SSI overpayment. SSA reported that, based on its analysis, it enhanced its model to more effectively target SSI recipients with potential excess income and resources.

SSA further informed us that our audit population did not provide it with a sufficient number of cases to reliably adjust its statistical model. However, based on the data analysis that included an analysis of resulting SSI overpayments identified for high dollar, limited issue alerts, SSA modified the predictive model profiling process to automatically create non-wage-related alerts for any case above the threshold. See Appendix B for additional details about the recommendations in our prior report and the Agency's actions to implement them.

---

<sup>19</sup> SSA, POMS, SI 02310.045, A (January 25, 2017).

<sup>20</sup> SSA, OIG, *Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients*, A-03-13-13106 (December 2013).

## Administrative Finality

“Administrative finality is the concept that determinations of eligibility to receive payments and payment amounts become final and binding on both parties immediately, unless they are timely appealed or later reopened and revised for special reasons.”<sup>21</sup> Depending on when SSA receives and investigates information from the IRS, SSA employees may need to consider the Agency’s administrative finality rules applicable to SSA. For the SSI program, when SSA becomes aware of changes such as previously unreported income or resources, SSA can reopen and revise a final determination or decision, including monthly SSI payments, within 12 months for any reason; within 24 months for good cause; or at any time if fraud or similar fault exists.<sup>22</sup>

## Methodology

We focused on SSI recipients who, according to TY 2018 IRS data, had \$3,000 or more in previously unreported non-wage income.<sup>23</sup> From this population, we identified the records for: (a) 5,519 couples SSA coded not to be alerted for staff review; and (b) 7,329 individuals and/or couples SSA coded to be alerted for staff review. We randomly sampled 50 of the 5,519 couples and 50 of the 7,329 individuals and/or couples and reviewed their non-wage income for TYs 2017 and 2018. (For more information about our scope and methodology, see Appendix A).

We assessed the reliability of IRS data by: (1) performing electronic testing; 2) reviewing existing information about the data and the system that produced them; and (3) interviewing Agency officials knowledgeable about the data. In addition, we traced a statistically random sample of data to source documents. We determined the data were sufficiently reliable for the purposes of responding to our objectives.

## RESULTS OF REVIEW

Enhancements SSA made in response to our prior report were not fully effective in improving its processing of IRS non-wage-related alerts. SSA implemented a systems change to ensure it alerted the records of SSI couples with income or resources above SSA’s tolerance levels. The enhancement did not work as intended, as some SSI couples’ cases with income above SSA’s tolerance level were not alerted for review. In addition, SSA continued not processing IRS non-wage-related alerts timely, with many alerts remaining unresolved after SSA overwrote the IRS non-wage data needed to resolve them.

---

<sup>21</sup> SSA, POMS, SI 04070.005, A.1 (April 27,2017).

<sup>22</sup> 20 C.F.R. § 416.1488.

<sup>23</sup> We limited our review to income of \$3,000 or more to focus on income and/or resources that could substantially affect couples’ SSI eligibility and/or payment amounts.

## Supplemental Security Income Couples

In response to our 2013 report, SSA changed its profiling criteria to generate non-wage-related alerts when the IRS reported that SSI couples had income and resources in excess of SSA's established tolerance levels.<sup>24</sup> However, SSA's enhancements only addressed couples who had both income and resources above the tolerances. It did not generate non-wage-related alerts when the IRS reported couples had non-wage income above the income tolerance but resources below the resource tolerance.

SSA did not create non-wage-related alerts for approximately 17,894 couples who were receiving SSI payments and who, according to the IRS, had non-wage income of \$3,000 or more in one or more of TYs 2016 through 2018 that was not previously reported to SSA.<sup>25</sup> While these couples' incomes could have made them ineligible for SSI payments, SSA did not add alerts to their records because of limitations in its profiling process. Therefore, SSA employees were not alerted to review the information and determine whether it affected the recipients' eligibility for SSI payments.

We reviewed 50 SSI couples whose records were not alerted even though the IRS reported they had non-wage income of \$3,000 or more for TY 2018. We determined the non-wage income may have made 43 of the 50 couples ineligible for \$263,000 in SSI payments they received. The income exceeded SSA's income limit in the months they received it and exceeded SSA's resource limit for months after they received it.<sup>26</sup> Based on our sample results, we estimate SSA was unaware it may have improperly paid 4,746 couples about \$29 million in SSI payments.<sup>27</sup>

## Timeliness of Developing Internal Revenue Service Alerts

Our prior report stated SSA did not process all IRS non-wage-related alerts timely, potentially missing an opportunity to identify and collect overpayments because of the Agency's administrative finality rules.<sup>28</sup> SSA is still not always resolving non-wage-related alerts before administrative finality applies or the Agency overwrites the income information it receives from the IRS. Under administrative finality, SSA can only establish overpayments that occur up to 2 years before the date of the alert unless the Agency finds fraud occurred or similar fault applies.<sup>29</sup> This limits SSA's timeframe for processing non-wage-related alerts.

---

<sup>24</sup> The IRS alerts in couples' cases includes eligible couples and eligible individuals with ineligible spouses.

<sup>25</sup> We identified 17,894 SSI couples with \$3,000 or more in non-wage income assigned an IRS case code for which SSA did not generate IRS non-wage alerts. Of the 17,894 couples, 6,740 had non-wage income in TY 2016, 5,635 had non-wage income in TY 2017 and 5,519 had in non-wage income in TY 2018.

<sup>26</sup> Of the remaining seven SSI couples, three were not receiving SSI payments, three were undergoing SSI eligibility redeterminations by SSA, and one had non-wage income that was excludable.

<sup>27</sup> See Appendix C for more information on our sampling results and projections.

<sup>28</sup> SSA, OIG, *Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients*, A-03-13-13106, pp. 3 and 4 (December 2013).

<sup>29</sup> SSA, *POMS*, SI 04070.010 F.4 (March 24, 2017).

We identified 23,729 recipients on whose records SSA added non-wage-related alerts for Calendar Years (CY) 2017 through 2019 related to non-wage income totaling \$300 million reported by the IRS for TYs 2016 through 2018.<sup>30</sup> Many of these alerts had been pending for years when we selected the data in December 2019. For example, all the non-wage-related alerts SSA added to the recipients' records in 2017 were pending for 2 years or longer, and administrative finality would apply. Additionally, SSA overwrote the IRS data it used to create the non-wage-related alerts; therefore, the data were unavailable for staff to review.

**Table 1: Recipients with Pending IRS Non-wage-related Alerts**

<b>CY SSA Added Alerts</b>	<b>Number of Recipients with Pending Alerts</b>	<b>Range of Days Pending</b>	<b>Total Non-wage Income (million)</b>
<b>2017</b>	2,261	734 to 1,063	\$46.4
<b>2018</b>	5,558	370 to 699	\$99.6
<b>2019</b>	15,910	34 to 339	\$153.9
<b>Total</b>	<b>23,729</b>		<b>\$300</b>

While SSA considers IRS non-wage-related alerts a high-priority workload, its policy does not require staff to resolve the alerts before the Agency overwrites the IRS non-wage income data in its systems. Policy only indicates employees need to begin reviewing the non-wage income within 30 days. SSA's policy does not state when employees should complete their reviews.

In our 2013 report, we recommended that SSA review the 2,485 cases from our audit population to ensure benefits were appropriately adjusted. In response, SSA informed us it was unable to review the cases because the IRS data the non-wage-related alerts were based on were no longer available because it had been overwritten within SSA's systems. Had SSA not overwritten the information, SSA staff would have been able to evaluate it, including determining whether fraud or similar fault occurred.<sup>31</sup>

---

<sup>30</sup> The IRS TY data corresponded with the following CY; each TY was 12 consecutive months beginning January 1 and ending December 31.

<sup>31</sup> When fraud or similar fault exists, employees are not restricted in re-opening and revising payments issued within the preceding 2 years. 20 C.F.R. § 416.1488. Since the IRS data used to generate non-wage alerts identify recipients who may have knowingly concealed income, fraud or similar fault may have occurred.

## Sample Results

To determine the effect of employees not addressing non-wage-related alerts timely had on SSI eligibility and payment amount, we reviewed a random sample of 50 recipients with IRS non-wage-related alerts based on income of \$3,000 or more received in TY 2018.<sup>32</sup>

We obtained the data in December 2019 and began reviewing the non-wage-related alerts in April 2020, 4 months after we obtained the data. We found:

- SSA resolved 19 of the 50 non-wage-related alerts. In 10 of the 19 cases, staff developed the cases correctly and assessed overpayments as needed. For the remaining nine cases, SSA staff did not fully or correctly develop the recipients' non-wage income. For example, staff cleared non-wage-related alerts without addressing all or any of the applicable non-wage income. SSA improperly paid these nine recipients approximately \$70,000 because of the non-wage income.
- SSA suspended developing the IRS non-wage-related alerts for another two cases because it suspended certain workloads in response to the COVID-19 pandemic.<sup>33</sup>
- SSA did not develop the remaining 29 IRS non-wage-related alerts. The non-wage income for 3 of the 29 recipients was excludable and therefore did not affect the recipients' SSI eligibility. The non-wage income brought the remaining 26 recipients over the SSI eligibility limit and they were ineligible for approximately \$162,000 SSA had paid them.

Based on our sample results, we estimate SSA employees did not correctly develop, or failed to develop, IRS non-wage-related alerts for approximately 5,130 SSI recipients. As a result, SSA had not detected that it may have improperly paid them approximately \$34 million.<sup>34</sup>

---

<sup>32</sup> From our population of 23,729 recipients with pending non-wage IRS alerts, the alerts for 15,910 were added to SSA's records in CY 2019. Of the 15,910 recipients, we identified 7,329 whose alerts were based on non-wage income of \$3,000 or more from which we selected or sample of 50 cases for review. We used \$3,000 as the threshold to identify recipients with reports of significant income. We reviewed the impact of the recipients' TYs 2017 and 2018 non-wage income on their SSI eligibility and payment amounts.

<sup>33</sup> SSA temporarily suspended certain adverse actions that would normally result in a reduction, suspension, or termination of SSI payments.

<sup>34</sup> In April 2020, based on IRS data retrieved in December 2019 and information in SSA records, we calculated potential overpayments for sample cases using the Period of Ineligibility for Transfers policy. We assumed the non-wage income was transferred for less than fair market value and calculated a period of ineligibility for the month of receipt plus the number of months of the full Federal Benefit Rate (plus the full amount of the federally administered State Supplementary Payment, if any) necessary to equal the amount of the non-wage income, for a maximum of 36 months. For example, if an individual received non-wage income in TY 2018, we made the assumption it was received in December 2018. Therefore, the overpayment would be calculated from December 2018 through the month in which the full Federal Benefit Rate plus State Supplement would have exhausted the amount of non-wage income received. SSA, POMS, SI 01150.007 (February 24, 2012), SI 01150.110 E (October 30, 2006), SI 01110.600 (October 26, 1995), and SI 00810.350 A (October 25, 2021) and SI 01150.111 (May 6, 2011).

## RECOMMENDATIONS

We recommend that SSA:

1. Take corrective actions, as appropriate, on the 78 cases we referred during our review.<sup>35</sup>
2. Modify its system to ensure it adds non-wage-related alerts to the records of SSI couples who, according to the IRS, have income and/or resources above established tolerances.
3. Update policy to establish timeframes for staff to resolve non-wage-related alerts before SSA overwrites IRS non-wage income data in its systems and/or administrative finality rules apply.
4. If SSA does not implement recommendation 3, then it should retain the IRS non-wage income data in its systems beyond 2 years, so it is available for staff to process cases involving fraud or similar fault.

## AGENCY COMMENTS

SSA agreed with Recommendations 1, 2, and 4. While SSA disagreed with Recommendation 3, Recommendation 4 provides an alternative remedy to ensure the Agency has the data it needs to process cases involving fraud or similar fault. See Appendix D for the full text of SSA's comments.



Michelle L. Anderson  
Assistant Inspector General for Audit

---

<sup>35</sup> The 78 cases referred include the 43 SSI couples without IRS non-wage alerts we found to be improperly paid and the 35 SSI recipients whose IRS non-wage alerts were either not developed or incorrectly developed.

# ***APPENDICES***

## Appendix A – SCOPE AND METHODOLOGY

---

To accomplish our objective, we:

- Reviewed applicable Federal laws and sections of the *Social Security Act* and Social Security Administration's (SSA) regulations and procedures related to the Supplemental Security Income (SSI) program and the Internal Revenue Service's (IRS) interface.
- Reviewed public laws applicable to SSA's receipt of financial information from the IRS.
- Reviewed applicable *Program Operations Manual System* policies and operating instructions relevant to SSI and the IRS interface.
- Reviewed Office of the Inspector General reports.
- Interviewed individuals from SSA's Offices of Quality Performance and Systems to obtain information about SSA's statistical model and processes for profiling and selecting IRS alert case codes.

To determine whether SSA added IRS non-wage-related alerts to the records of couples who reportedly had non-wage income above alert tolerances, we:

- Obtained and reviewed data SSA obtained from the IRS for 945,801 recipients<sup>1</sup> who had 1,856,936 records related to Tax Years (TY) 2016 through 2018.
- From that population, identified 17,894<sup>2</sup> couples with \$3,000 or more in non-wage income assigned an IRS case code for which SSA did not generate IRS non-wage non-wage-related alerts. We limited our review to income of \$3,000 or more to focus on substantial income and/or resources that could affect couples' SSI eligibility and/or payment amounts. Of the 17,894 couples:
  - 6,740 had \$88,202,639 in non-wage income reported in TY 2016;
  - 5,635 had \$71,057,107 in non-wage income reported in TY 2017; and
  - 5,519 had \$66,298,536 in non-wage income reported in TY 2018.
- Randomly sampled 50 of the 5,519 couples who had non-wage income of \$3,000 or more in TY 2018. We reviewed the couples' TY 2017 and TY 2018 non-wage income to determine its impact on their SSI eligibility and/or payment amounts.

---

<sup>1</sup> When we use the term "recipients," we are referring to both individuals and couples receiving SSI payments.

<sup>2</sup> The 17,894 SSI couples' records contained 14,025 unique records.

- Based on IRS data retrieved in December 2019 and information in SSA records, we calculated potential overpayments for sample cases using: (1) the Spend Down Method; and (2) Period of Ineligibility for Transfers. For the Spend Down Method, we assumed the non-wage income was not spent down and calculated the overpayment by considering a period of ineligibility for the month of receipt plus the number of recipient payments necessary to equal the amount of the non-wage income. For the Period of Ineligibility for Transfers, we assumed the non-wage income was transferred for less than fair market value and calculated a period of ineligibility for the month of receipt plus the number of months of the full Federal Benefit Rate (plus the full amount of the federally administered State Supplementary Payment, if any) necessary to equal the amount of the non-wage income, for a maximum of 36 months. Since the Period of Ineligibility for Transfers policy yielded a lower overall overpayment estimate, we used it for our final estimate in the report. For example, if an individual received non-wage income in TY 2018, we assumed it was received in December 2018. Therefore, the overpayment would be calculated from December 2018 through the month in which the full Federal Benefit Rate plus State Supplement would have exhausted the amount of non-wage income received.

To determine the timeliness and accuracy of SSA employees' development of IRS non-wage-related alerts, we:

- Obtained 387,156 Supplemental Security Records related to 181,114 recipients for whom SSA had pending IRS non-wage-related alerts as of December 2019.
- Identified 23,729 recipients who were alive and for whom SSA (1) posted 24,693 IRS non-wage-related alerts to their records and (2) did not terminate SSI payments. Of the 23,729 recipients,
  - 2,261 recipients' IRS non-wage-related alerts were posted in Calendar Year (CY) 2017 based on TY 2016 IRS data.
  - 5,558 recipients' IRS non-wage-related alerts were posted in CY 2018 based on TY 2017 IRS data.
  - 15,910 recipients' IRS non-wage-related alerts were posted in CY 2019 based on TY 2018 IRS data.
- Identified 7,336 of the 15,917 recipients for whom SSA posted non-wage-related alerts in CY 2019 based on TY 2018 non-wage income equal to or greater than \$3,000. We limited our review to income of \$3,000 or more to focus on substantial income and resources that could affect recipients' SSI eligibility and/or SSI payment amounts. From the 7,336 recipients, we removed 7 whom we considered outliers. According to the IRS, these individuals had \$1 million or more in unearned income. We determined six recipients' income was excludable or not attributed to the recipients' records. We referred one case to the Office of Investigations for review.
- Randomly sampled 50 of the remaining 7,329 SSI recipients. We reviewed the 50 recipients' TY 2017 and 2018 non-wage income to determine its impact on their SSI eligibility and/or SSI payment amounts.

- Based on IRS data retrieved in December 2019 and information in SSA records, we calculated potential overpayments for sample cases using the Period of Ineligibility for Transfers method. We assumed the non-wage income was transferred for less than fair market value and calculated a period of ineligibility for the month of receipt plus the number of months of the full Federal Benefit Rate (plus the full amount of the federally administered State Supplementary Payment, if any) necessary to equal the amount of the non-wage income, for a maximum of 36 months. We used the Period of Ineligibility Transfers policy for as our previous sample population showed it yielded a lower overall overpayment estimate. For example, if an individual received non-wage income in TY 2018, we made the assumption it was received in December 2018. Therefore, the overpayment would be calculated from December 2018 through the month in which the full Federal Benefit Rate plus State supplement would have exhausted the amount of non-wage income received.

For each sample case, we analyzed information in the following systems:

- Management Information to retrieve alert data.
- Modernized SSI Claims System to review IRS alert development.
- Numident to verify the recipient's first and last name as well as date of birth.
- Online Retrieval and Claims File Records Management Systems to review documentation and correspondence sent to recipients.
- SSA's Online Calculator to calculate payments.
- Supplemental Security and Master Beneficiary Records to verify address, benefit, and income/resource information.
- StaRZ & StriPEs to retrieve income/resource information.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data, including electronic testing, reviewing existing information about the data and the system that produced them, and interviewing agency officials knowledgeable about the data. In addition, we traced a statistically random sample of data to source documents. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted our audit between January and December 2021. The entities audited were the Offices of Analytics, Review and Oversight; Systems; and Operations.

We assessed the significance of internal controls necessary to satisfy the audit objective. This included an assessment of the two internal control components, including control activities, and monitoring. In addition, we reviewed the principles of internal controls as associated with the audit objective. We identified the following two components and five principles as significant to the audit objective.

- Component 3: Control Activities
  - Principle 10: Design Control Activities
  - Principle 11: Design activities for the information system
  - Principle 12: Implement Control activities
- Component 5: Monitoring
  - Principle 16: Perform Monitoring Activities
  - Principle 17: Remediate deficiencies

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and conduct the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We conducted random sampling to ensure each case sampled had an equal chance of being selected for review. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective(s) and can be projected to the SSI population.

## **Appendix B – PRIOR OFFICE OF THE INSPECTOR GENERAL AUDIT REPORT**

---

In December 2013, we issued our report, *Processing of Internal Revenue Service Alerts for Supplemental Security Income Recipients (A-03-13-13106)*.

### **Audit Findings**

We determined 20 of the 50 recipients we reviewed were overpaid \$237,125 because the Social Security Administration's (SSA) systems did not post Internal Revenue Service (IRS) non-wage-related alerts to their records even though IRS data indicated the recipients had income and resources likely to impact their Supplemental Security Income (SSI) eligibility or payment amounts. Projecting these results to our population, we estimated SSA may have overpaid over 1,000 SSI recipients about \$12 million.

SSA's statistical profiling process did not assign codes resulting in IRS non-wage-related alerts even though the recipients' non-wage income would have likely affected their SSI eligibility. Because the system did not generate non-wage-related alerts, field office staff were not made aware of individuals and/or couples who were receiving SSI payments but had significant non-wage income. Many of the erroneous cases did not have IRS non-wage-related alerts because SSA considered all couples' income as being below the income tolerance established for IRS non-wage-related alerts. This occurred even when the IRS data match identified non-wage income above the tolerance amounts.

### **Audit Recommendations**

- 1. Review the 20 sample cases we determined had overpayments and the remaining 2,485 cases from the sample population to ensure benefits are appropriately adjusted.**

SSA agreed to implement our recommendation stating, "We plan to review the 20 cases OIG determined have overpayments by the end of Calendar Year 2013. Based on the results of our review, we will determine if it is beneficial to review the additional 2,485 cases."

In October 2014, SSA informed us it referred the 20 sample cases to staff to analyze the cases and, where applicable, contact the recipients or their representative payees regarding the IRS alert information. SSA took no action on the remaining 2,485 cases because the 2010 IRS data were no longer available.

- 2. Based on the results from the review of the Tax Year 2010 cases, assess whether the IRS data for Tax Years 2011 and 2012 should be developed for those cases where there is significant income and resources reported.**

SSA agreed to implement our recommendation stating, "Once we complete the Tax Year 2010 case review, we will determine if we should perform a review of the data for Tax Year 2011 and 2012 and take action."

In June 2015, SSA informed us it performed extensive statistical and data analysis on historical data on completed IRS alerts to determine whether the limited-issue predictive model could be enhanced to recognize non-wage-related alerts more efficiently with high dollar amounts, but there were not a sufficient number of cases to reliably adjust the statistical model. However, based on the data analysis that included an analysis of resulting SSI overpayments identified for high dollar, limited issue alerts, the predictive model profiling process was modified to automatically create alerts for any cases above the threshold.

**3. Review its existing statistical profiling model to determine whether cases with significant income and resources are more likely to lead to an overpayment and should be sent to a field office for development.**

SSA agreed to implement our recommendation. SSA stated, “By September 30, 2014, we plan to complete our review of the existing statistical profiling model to determine whether we can refine our model to: 1) help identify cases with significant income and resources, and 2) determine if these cases are more likely to incur an overpayment. We will send potential overpayment cases to our field offices for development.”

In January 2015, SSA enhanced the existing predictive model to more effectively identify SSI recipients with potential excess income and resources as indicated in its quarterly data matches with IRS.

**4. Revise the profiling criteria for SSI couples with income above the tolerance to allow these cases to be included as part of the profiling model to determine the probability of an overpayment.**

SSA agreed to implement our recommendation. SSA stated, “In Fiscal Year 2014, we plan to evaluate the profiling criteria for SSI couples with income above the tolerance to determine whether we should include these cases as part of the profiling model to determine the probability of an overpayment. We will revise the profiling criteria, if necessary.”

In September 2014, SSA implemented a system change to the profiling criteria, which alerts technicians of SSI couples' incomes or resources that are above the tolerance level and published instructions to inform technicians of the change.

## Appendix C – SAMPLING RESULTS AND PROJECTIONS

---

### Sampling Approach

To conduct this review, we used a simple random sample statistical approach. This is a standard statistical approach used for creating a sample from a population completely at random. As a result, each sample item 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 were guaranteed to choose a sample that represented the population, 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.

Using Tax Year (TY) 2018 Internal Revenue Service (IRS) data, we identified 5,519 Supplemental Security Income (SSI) recipients who were assigned an IRS code that did not generate an alert even though their income and/or resources were equal to or greater than \$3,000. The IRS file indicated these recipients received a total of \$66,298,536 in non-wage income.

### Sample Errors and Projections

We also identified 7,336 recipients with pending IRS non-wage-related alerts posted in Calendar Year 2019 who were alive according to the Social Security Administration's (SSA) records and whose SSI payments SSA had not terminated. The recipients also had non-wage income of \$3,000 or more in TY 2018. From the 7,336 recipients, we excluded 7 recipients who had \$1 million or more in non-wage income. We determined six recipients' income was excludable or not attributed to the recipients' records. We referred one case to the Office of Investigations for further review. After removing the 7 recipients, we had a population of 7,329 recipients.

**Sample Frame 1** - Using the population of 5,519 recipients with \$3,000 or more in non-wage income reported by the IRS, we randomly selected 50 recipients for review. Of the 50 sample cases reviewed, we identified 43 recipients who may have been overpaid \$263,446.

**Sample Frame 2** - Using the population of 7,329 recipients with an IRS alert on their Supplemental Security Record with \$3,000 or more in non-wage income reported by the IRS, we randomly selected 50 recipients for review. Of the 50 sample cases reviewed, we identified 35 recipients who may have been overpaid \$232,067.

**Table C-1: Population and Sample Size**

Description	Sample Frame 1	Sample Frame 2
Population Size	5,519	7,329
Sample Size	50	50

**Table C–2: Sample Frame 1 Results**

Description	Number of Recipients	Payment Error Amount via Spend Down Method	Payment Error Amount via Transfer Method
Sample Results	43	\$308,554	\$263,446
Point Estimate	4,746	N/A	\$29,079,121
Projection - Lower Limit	4,159	N/A	\$21,290,998
Projection - Upper Limit	5,144	N/A	\$36,867,244

**Note:** All statistical projections are at 90-percent confidence level. We calculated estimated potential overpayments using SSA's Transfer of Resources by Spend-Down policy and SSA's Period of Ineligibility for Transfers policy.<sup>1</sup> We used the Period of Ineligibility for Transfers policy for our final estimate as it yielded a lower overall overpayment estimate. See Appendix A for more information on our methodology.

**Table C–3: Sample Frame 2 Results**

Description	Number of Recipients	Payment Error Amount via Transfer Method
Sample Results	35	\$232,067
Point Estimate	5,130	\$34,016,434
Projection - Lower Limit	4,227	\$23,922,689
Projection - Upper Limit	5,898	\$44,110,178

**Note:** All statistical projections are at 90-percent confidence level. We calculated estimated potential overpayments using SSA's Period of Ineligibility Transfers policy. We used the Period of Ineligibility Transfers policy as for our previous sample population it showed it yielded a lower overall overpayment estimate. See Appendix A for more information on our methodology.

---

<sup>1</sup> SSA, POMS, SI 01150.007 (February 24, 2012), SI 01150.110 E (October 30, 2006), SI 01110.600 (October 26, 1995), and SI 00810.350 A (October 25, 2021).

## Appendix D – AGENCY COMMENTS

---



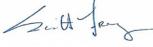
## SOCIAL SECURITY

### MEMORANDUM

**Date:** September 14, 2022

**Refer To:** TQA-1

**To:** Gail S. Ennis  
Inspector General

**From:** Scott Frey   
Chief of Staff

**Subject:** Office of the Inspector General Draft Report "Follow-up on Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients" (A-03-18-50277) — INFORMATION

Thank you for the opportunity to review the draft report. We agree with recommendations 1, 2, and 4. We disagree with recommendation 3.

In lieu of not implementing recommendation 3, we agree with recommendation 4, to retain IRS alerts beyond the two years we currently retain them.

Please let me know if I can be of further assistance. You may direct staff inquiries to

Trae Sommer at (410) 965-9102.



**Mission:**

The Social Security Office of the Inspector General (OIG) serves the public through independent oversight of SSA's programs and operations.

**Report:**

Social Security-related scams and Social Security fraud, waste, abuse, and mismanagement, at [oig.ssa.gov/report](https://oig.ssa.gov/report).

**Connect:**

[OIG.SSA.GOV](https://oig.ssa.gov)

Visit our website to read about our audits, investigations, fraud alerts, news releases, whistleblower protection information, and more.

Follow us on social media via these external links:



Twitter: @TheSSAOIG



Facebook: OIGSSA



YouTube: TheSSAOIG



Subscribe to email updates on our website.