

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

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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.