



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

The Social Security Administration's
Use of Administrative Tolerance
Waivers

A-04-16-50145 | August 2018

MEMORANDUM

Date: August 1, 2018

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: The Social Security Administration's Use of Administrative Tolerance Waivers (A-04-16-50145)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration properly used the administrative tolerance waiver provision for Old-Age, Survivors and Disability Insurance overpayments.

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



Gale Stallworth Stone

Attachment

The Social Security Administration's Use of Administrative Tolerance Waivers

A-04-16-50145



August 2018

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) properly used the administrative tolerance waiver provision for Old-Age, Survivors and Disability Insurance overpayments.

Background

SSA uses an administrative tolerance waiver provision to waive a requesting liable person's overpayments when the total amount of the liability does not exceed \$1,000, unless there is some indication the person may be at fault. Accordingly, SSA technicians' use of the administrative tolerance waiver provision depends on a beneficiary's overpayment liabilities. That is, SSA does not consider beneficiaries eligible for an administrative tolerance waiver when they are liable for one or several overpayments that total more than \$1,000. Furthermore, the administrative tolerance provision prohibits waivers greater than \$1,000.

We randomly selected
(1) 100 administrative tolerance waivers of \$1,000 or less and
(2) 60 that were greater than \$1,000.

Findings

SSA technicians did not always properly use the administrative tolerance waiver provision. For the 100 sampled waivers that were \$1,000 or less, SSA technicians improperly waived 34. As such, we estimated SSA improperly waived almost \$9.8 million in overpayments.

For the additional 60 sampled waivers that were greater than \$1,000, SSA technicians either improperly waived the overpayment or inaccurately coded the waiver because the amount exceeded the allowance. Specifically, SSA technicians improperly waived 17 because \$1,000 was the maximum amount technicians could waive using the administrative tolerance provision, and there was no supporting evidence on file that established another suitable reason for these waivers. As such, we estimated SSA improperly waived almost \$2.8 million in overpayments. SSA technicians inaccurately coded the remaining 43 waivers as administrative tolerance waivers in the Agency's Debt Management System. There was evidence on file to support a waiver reason other than administrative tolerance. Systems improvements would limit inappropriate use of the administrative tolerance waiver and inaccurate coding.

Recommendation

We recommend that SSA, as part of its Debt Management modernization initiative, establish controls in the new Debt Management Product that ensure technicians can only use the administrative tolerance waiver for overpayments allowable under the provision.

SSA agreed with our recommendation.

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ABBREVIATIONS

DMS	Debt Management System
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) properly used the administrative tolerance waiver provision for Old-Age, Survivors and Disability Insurance (OASDI) overpayments.

BACKGROUND

SSA uses an administrative tolerance waiver provision to waive a requesting liable person's overpayments when the total amount of the liability does not exceed \$1,000, unless there is some indication the person may be at fault. Accordingly, SSA technicians' use of the administrative tolerance waiver provision depends on a beneficiary's overpayment liabilities. That is, SSA does not consider beneficiaries eligible for an administrative tolerance waiver when they are liable for one or several overpayments that total more than \$1,000.

Furthermore, the administrative tolerance provision prohibits waivers greater than \$1,000. When SSA technicians waive overpayments greater than \$1,000, they should use a waiver reason other than administrative tolerance in SSA's Debt Management System (DMS). If technicians use the administrative tolerance waiver in these instances, they have either improperly waived or inaccurately recorded the waiver in DMS.

For Calendar Years 2009 through 2016, we identified 53,467 administrative tolerance waivers¹ where the total established overpayments for the beneficiary were more than \$1,000.² We divided the administrative tolerance waiver population into two groups: 51,377 waivers of \$1,000 or less and 2,090 waivers greater than \$1,000. From the 51,377 waivers, we randomly selected 100 to determine whether SSA used the administrative tolerance waiver properly. From the 2,090 waivers, we randomly selected 60 to determine whether SSA improperly waived the overpayment or inaccurately coded the waiver. See Appendix A for the scope and methodology for this review and Appendix B for our sampling methodology and results.

¹ In Fiscal Year 2016, the average cost to collect a Disability Insurance overpayment was \$239. Therefore, we excluded all waivers less than \$240 from our review.

² We obtained data from all segments of the Recovery of Overpayments, Accounting and Reporting (ROAR) system. The ROAR is divided into five segments, with each segment based on the last two digits of the Social Security number. SSA's ROAR controls the recovery and collection activity of OASDI overpayments. The ROAR record contains the cause and amount of the overpayment, individual liable for the debt, actions against the overpayment record, and status of the overpayment.

RESULTS OF REVIEW

SSA technicians did not always properly use the administrative tolerance waiver provision. For the 100 sampled waivers that were \$1,000 or less, SSA technicians improperly waived 34. As such, we estimated SSA improperly waived almost \$9.8 million in overpayments.³

For the additional 60 sampled waivers that were greater than \$1,000, SSA technicians either improperly waived the overpayment or inaccurately coded the waiver because the amount exceeded the allowance. Specifically, SSA technicians improperly waived 17 because \$1,000 was the maximum amount technicians could waive using the administrative tolerance provision, and there was no supporting evidence on file that established another suitable reason for these waivers. As such, we estimated SSA improperly waived almost \$2.8 million in overpayments.⁴ SSA technicians inaccurately coded the remaining 43 waivers as administrative tolerance waivers in the Agency's DMS. There was evidence on file to support a waiver reason other than administrative tolerance. Systems improvements would limit inappropriate use of the administrative tolerance waiver and inaccurate coding.

Administrative Tolerance Waivers \$1,000 or Less

SSA technicians improperly waived 34 of the 100 administrative tolerance waivers that were \$1,000 or less. These improper waivers totaled \$19,062. As such, we estimated that SSA improperly waived almost \$9.8 million in overpayments.⁵ SSA began work on a new Debt Management modernization initiative late in Fiscal Year 2017. This includes a redesign of the debt management databases and applications. While developing this project, we recommend the Agency include system limitations to the new Debt Management Product that restrict technicians' use of the administrative tolerance waiver code.

Administrative Tolerance Waivers Greater than \$1,000

SSA technicians improperly waived 17 (28 percent) of the 60 administrative tolerance waivers greater than \$1,000. These 17 improper waivers totaled \$110,545. As such, we estimated SSA improperly waived almost \$2.8 million in overpayments.⁶ SSA technicians should only use the administrative tolerance provision when they waive overpayments of \$1,000 or less. Since DMS had no control in place to prevent technicians from using the administrative tolerance waiver code for waivers greater than \$1,000, coding errors occurred. Therefore, all instances of administrative tolerance waivers that were greater than \$1,000 are either improper or inaccurately coded. We determined waivers greater than \$1,000 were improper when there was

³ See Table B-3.

⁴ See Table B-4.

⁵ See Table B-3.

⁶ See Table B-4.

no supporting evidence on file to establish another suitable reason for the waiver.⁷ As part of SSA's Debt Management modernization initiative, we recommend the Agency establish system limitations that restrict waiving amounts greater than \$1,000 for administrative tolerance waivers.

Inaccurately Coded Waivers

SSA technicians inaccurately coded 43 (72 percent) of the 60 waivers greater than \$1,000. There was evidence on file to support a waiver reason other than administrative tolerance. For example, multiple debtors had evidence of favorable hearing decisions in SSA's Hearings and Appeals queries that supported SSA's decision to waive the overpayment(s). As such, SSA should have recorded these with the appropriate waiver code. For one debtor, SSA had accepted a compromise offer that reduced the overpayment balance. Additionally, there were waiver explanations on file to support that the waiver was appropriate, but SSA staff inaccurately coded the decision in DMS. As discussed in the previous section, establishing system limitations that restrict waiving amounts greater than \$1,000 for administrative tolerance waivers would prevent these errors in the future.

CONCLUSIONS

SSA's DMS cannot identify improper use of the administrative tolerance waiver provision. These system limitations allowed SSA technicians to improperly waive an estimated \$12.6 million in overpayments and inaccurately code waiver decisions for numerous cases. As such, we believe systems improvements would reduce these errors in the future. SSA could implement these changes as part of its Debt Management modernization initiative.

RECOMMENDATION

We recommend that SSA, as part of its Debt Management modernization initiative, establish controls in the new Debt Management Product that ensure technicians can only use the administrative tolerance waiver for overpayments allowable under the provision.

AGENCY COMMENTS

SSA agreed with our recommendation. The Agency's comments are included in Appendix C.



Rona Lawson
Assistant Inspector General for Audit

⁷ We considered supporting evidence in these cases to be waiver determination writeups, explanations of waiver decisions in DMS, favorable hearing decisions, notices explaining the reason for waiver, accepted compromise offers by SSA reducing the debt balance, or payments refunding the waived balance.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed pertinent sections of the *Social Security Act* and Social Security Administration’s (SSA) Program Operations Manual System.
- Reviewed prior Office of the Inspector General reports related to overpayment waiver approvals.
- Obtained a population of 53,467 administrative tolerance waiver approvals of \$240¹ or more during Calendar Years 2009 through 2016 with an overpayment balance greater than \$1,000 from all segments of SSA’s Recovery of Overpayments, Accounting and Reporting system.
- Used a stratified sampling approach to select 160 waivers for review and analyzed the waivers to determine whether technicians properly awarded and coded them. To conduct our analysis, we reviewed the following SSA systems and databases.
 - Master Beneficiary Record
 - Recovery of Overpayments, Accounting and Reporting
 - Debt Management System
 - Online Retrieval System
 - Non-Disability Repository for Evidentiary Documents
 - SSA Hearings and Appeals queries

We conducted our review in Atlanta, Georgia, between January and March 2018. The principal entity reviewed was the Office of Public Service and Operations Support under the Office of the Deputy Commissioner for Operations. We determined the data used in this report were sufficiently reliable given the review objective and its intended use. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

¹ In Fiscal Year 2016, the average cost to collect a Disability Insurance overpayment was \$239. Therefore, we excluded all waivers less than \$240 from our review.

Appendix B –SAMPLING METHODOLOGY AND RESULTS

We obtained a data extract from all segments of the Social Security Administration’s (SSA) Recovery of Overpayments, Accounting and Reporting system. We identified 53,467 administrative tolerance waivers of \$240¹ and greater where the Old-Age, Survivors and Disability Insurance beneficiary had a total overpayment balance greater than \$1,000. As shown in Table B–1, we randomly selected 160 administrative tolerance waivers using a stratified sampling approach.

Table B–1: Population and Sample Size

Sample Frame	Waiver Dollar Amount	Population	Sample Size
1	240 - 1,000	51,377	100
2	1,000.01 - 2,000	1,122	10
3	2,000.01 - 5,000	444	10
4	5,000.01 - 10,000	251	10
5	10,000.01 - 25,000	180	10
6	25,000.01 - 50,000	66	10
7	Greater than 50,000	27	10
TOTAL		53,467	160

Source: SSA’s Recovery of Overpayments, Accounting and Reporting

Of the 160 waivers reviewed, 51 (32 percent) were improperly waived. As shown in Table B–2, SSA improperly waived \$129,607.

Table B–2: Sample Results

Sample Frame	Number of Improper Waivers	Overpayments Improperly Waived
1	34	\$19,062
2	7	10,312
3	5	14,304
4	3	22,447
5	0	0
6	2	63,482
7	0	0
TOTAL	51	\$129,607

Source: Office of the Inspector General Analysis

¹ In Fiscal Year 2016, the average cost to collect a Disability Insurance overpayment was \$239. Therefore, we excluded all waivers less than \$240 from our review.

In a random sample of 100 administrative tolerance waivers from \$240 to \$1,000, we determined 34 were in error. As such, SSA improperly waived \$19,062. As shown in Table B-3, we estimate that SSA improperly waived almost \$9.8 million in overpayments.

Table B-3: Sample Results and Projections for Waivers from \$240 to \$1,000

Description	Improper Waivers	Improperly Waived Overpayments
Sample Results	34	\$19,062
Point Estimate	17,468	\$9,793,705
Projection – Lower Limit	13,440	\$7,237,423
Projection – Upper Limit	21,871	\$12,349,986

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

We used a stratified sampling approach and reviewed 6 samples of 10 (total of 60) administrative tolerance waivers greater than \$1,000. We determined 17 were in error. As such, SSA improperly waived \$110,545. As shown in Table B-4, we estimate that SSA improperly waived almost \$2.8 million.

Table B-4: Sample Results and Projections for Waivers Greater than \$1,000

Description	Improper Waivers	Improperly Waived Overpayments
Sample Results	17	\$110,545
Point Estimate	1,096	\$2,774,497
Projection – Lower Limit	784	\$1,921,473
Projection – Upper Limit	1,408	\$3,627,521

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: July 26, 2018

Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

Stephanie Hall

From: Stephanie Hall
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “The Social Security Administration’s Use of Administrative Tolerance Waivers” (A-04-16-50145) -- INFORMATION

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

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “THE SOCIAL SECURITY ADMINISTRATION’S USE OF ADMINISTRATIVE TOLERANCE WAIVERS” (A-04-16-50145)

As noted by the Office of the Inspector General, we have a planned Debt Management modernization project that includes changes to the administrative waiver process. The modernized system will electronically receive, process, track, and store waiver requests and incorporate improved controls for technicians. Below is our response to the recommendation.

Recommendation 1

We recommend that the Social Security Administration, as part of its Debt Management modernization initiative, establish controls in the new Debt Management Product that ensure technicians can only use the administrative tolerance waiver for overpayments allowable under the provision.

Response

We agree.

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