



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Evaluation Report*

The Social Security Administration's  
Plan to Reduce Improper Payments  
Under Executive Order 13520, as  
Reported in March 2013

*A-15-13-13105 | September 2013*

MEMORANDUM

Date: September 30, 2013

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2013 (A-15-13-13105)

The attached final report presents the results of our review. Our objectives were to review the Social Security Administration Accountable Official's Annual Report to the Office of the Inspector General, as required by Executive Order 13520, *Reducing Improper Payments*, and determine whether the (1) figures presented were accurate and (2) Agency complied with all requirements of the Executive Order.

If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

# The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2013

## A-15-13-13105



September 2013

Office of Audit Report Summary

### Objectives

To review the Social Security Administration (SSA) Accountable Official's Annual Report to the Office of the Inspector General, as required by Executive Order 13520, *Reducing Improper Payments*, and determine whether the (1) figures presented were accurate and (2) Agency complied with all requirements of the Executive Order.

### Background

On November 20, 2009, the President signed Executive Order 13520. The Executive Order provides, in part, that, when the Federal Government makes payments to individuals and businesses, such as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm the right recipient is receiving the right payment. The purpose of the Executive Order is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in major Federal Government-administered programs, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries.

### Our Findings

During our review, we noted the Agency generally presented all information required for Executive Order 13520 in its Annual Report.

However, the Agency did not report all required information describing corrective actions for the Title XVI Supplemental Security Income (SSI) program or explain the Title II Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs' performance in meeting its reduction targets. We also noted two immaterial instances of figures that were inaccurate based on the supporting documentation.

The Agency has continued reporting the same corrective actions for SSI in the past three reporting cycles and has not reported any new initiatives that prevent and identify improper payments.

### Our Recommendations

The Agency should continue to improve its quality review process to ensure it reports all information required by the Executive Order and properly states figures based on supporting documentation.

To ensure the prevention, collection, and detection of improper payments, SSA should continue efforts to address improper payments and evaluate the SSI and OASDI programs to identify additional improvements. Continuous efforts are needed to ensure improper payments are detected timely.

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## ABBREVIATIONS

AFI	Access to Financial Institutions
AFR	Agency Financial Report
CIGIE	Council of Inspectors General on Integrity and Efficiency
DI	Disability Insurance
FY	Fiscal Year
GAO	Government Accountability Office
IPIA	<i>Improper Payments Information Act of 2002</i>
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQP	Office of Quality Performance
PAR	Performance and Accountability Report
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
SSITWR	Supplemental Security Income Telephone Wage Reporting System

## OBJECTIVES

Our objectives were to review the Social Security Administration (SSA) Accountable Official's Annual Report to the Office of the Inspector General (OIG), as required by Executive Order 13520, *Reducing Improper Payments*, and determine whether the (1) figures presented were accurate and (2) Agency complied with all requirements of the Executive Order.

## BACKGROUND

On November 20, 2009, the President signed Executive Order 13520.<sup>1</sup> The Executive Order provides that, “[w]hen the Federal Government makes payments to individuals and businesses, [such] as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm that the right recipient is receiving the . . . [correct] payment . . .”<sup>2</sup> The purpose of the Executive Order is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in major Federal Government-administered programs, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries.

As part of the Executive Order,<sup>3</sup> each agency operating a high-priority program identified by the Office of Management and Budget (OMB) is required to provide, within 180 days of the Order, the agency's OIG a report containing the

1. methodology for identifying and measuring improper payments by the agency's high-priority programs;
2. plans, together with supporting analysis, for meeting the reduction targets for improper payments in the agency's high-priority programs; and
3. plans, along with supporting analysis, for ensuring that initiatives undertaken pursuant to the Order do not unduly burden program access and participation by eligible beneficiaries.

At least once every quarter, beginning 180 days after the date of the Order, each agency head is also required to submit to the agency's OIG and the Council of Inspectors General on Integrity and Efficiency (CIGIE), and make available to the public, a report on any high-dollar improper payments identified by the agency, subject to Federal privacy policies and to the extent permitted by law.<sup>4</sup> Agencies are also required to place a prominently displayed link, on their Internet

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<sup>1</sup> *Reducing Improper Payments*, 74 Fed. Reg. 62201 (November 25, 2009).

<sup>2</sup> *Id.* at § 1.

<sup>3</sup> 74 Fed. Reg. 62202, § 3(b).

<sup>4</sup> 74 Fed. Reg. 62203, § 3(f).

homepages, to Internet-based resources<sup>5</sup> for addressing improper payments.<sup>6</sup> The information about such resources must be published on the Internet by the Secretary of the Treasury in coordination with the Attorney General and the Director of OMB.<sup>7</sup>

## High-Priority Programs

OMB guidance specifies how it will determine agency high-priority programs, as required under section 2(a)(i) of Executive Order 13520.<sup>8</sup> Each year, the Director of OMB determines high-priority programs based on improper payment reporting in agencies' annual Performance and Accountability Reports (PAR) or Agency Financial Reports (AFR).<sup>9</sup> The Director of OMB classifies a program as high-priority if the program meets the following criteria.<sup>10</sup>

1. It is susceptible to significant improper payments, as defined by legislation and OMB implementing guidance and either:
  - Measured and reported errors above the threshold<sup>11</sup> determined by OMB, and contributed to the majority of improper payments in the most recent reporting year; or
  - Has not reported an improper payment dollar amount in the most recent reporting year, but has in the past reported errors above the threshold determined by OMB and not received relief from OMB from measuring and reporting; or
  - Has not yet reported an overall program improper payment dollar amount, but the aggregate of the measured program's component errors are above the threshold.

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<sup>5</sup> Such resources include information about improper payments under high-priority programs and a central Internet-based method for collecting information from the public about suspected incidents of fraud, waste, and abuse by an entity receiving Federal funds that have led or may lead to improper payments by the Federal Government (see 74 Fed. Reg. 62201 to 62202, §§ 2(b) and 2(c)).

<sup>6</sup> 74 Fed. Reg. 62202, § 2(d).

<sup>7</sup> 74 Fed. Reg. 62201 to 62202, § 2(b).

<sup>8</sup> OMB, M-10-13, *Issuance of Part III to OMB Circular A-123, Appendix C*, and Circular A-123, *Management's Responsibility for Internal Control*, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments*, § (A)(1)(e), pp. 5-6, (March 22, 2010).

<sup>9</sup> Id.

<sup>10</sup> Id.

<sup>11</sup> The Fiscal Year (FY) 2010 threshold was \$750 million in improper payments as reported in the PAR or AFR. OMB will annually re-evaluate the high-priority program list after agencies publish annual improper payment information in the PAR or AFR. Beginning with FY 2010 reporting, and for all subsequent years, OMB will notify agencies of the new threshold and if any programs shall be added or removed (based on reporting errors above or below the new threshold) from the high-priority list within 30 calendar days of the submission and publication of agency PAR or AFR as required by OMB. Id.

2. For those programs with error amounts close to the threshold, but with error rates below 2 percent of program outlays, agencies may work with OMB to determine whether the program can be exempt from fulfilling certain requirements of the Executive Order.

OMB classified SSA's Title II Old-Age, Survivors, and Disability Insurance (OASDI) and Title XVI Supplemental Security Income (SSI) programs as high-priority.

## Improper Payments

Each year, SSA reports payment accuracy rates for the OASDI and SSI programs based on its stewardship reviews. The Agency uses the reviews as the basic measure to report on the accuracy of benefit payments. SSA reports over- and underpayments from its stewardship reviews of nonmedical aspects for the Retirement and Survivors Insurance, Disability Insurance (DI), and SSI programs. In accordance with OMB's guidelines<sup>12</sup> implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA),<sup>13</sup> an improper payment subject to reporting under IPIA is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable guidance. Stewardship review findings provide the basis for reports to monitoring authorities. The Agency also uses data from these reviews in corrective action planning and monitoring performance, as required by the *Government Performance and Results Act of 1993*.<sup>14</sup>

## RESULTS OF REVIEW

Our review determined that the Agency (1) generally met the requirements of Executive Order 13520 and (2) accurately reported improper payment information except for two immaterial instances in which figures were inaccurate based on the supporting documentation.<sup>15</sup>

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<sup>12</sup> OMB, M-03-13, *Implementation Guidance for the Improper Payments Information Act of 2002*, Pub. L. No. 107-300, p. 1 (May 21, 2003).

<sup>13</sup> Pub. L. No. 107-300, § 2, 116 Stat. 2350 (2002).

<sup>14</sup> Pub. L. No. 103-62, § 4, 107 Stat. 285, 286-289 (1993).

<sup>15</sup> See Appendix A for the scope and methodology.

## Requirements of Executive Order

In March 2010, OMB issued guidance<sup>16</sup> for implementing the requirements of the Executive Order. We reviewed the SSA Accountable Official's<sup>17</sup> March 15, 2013 Fourth Annual Report<sup>18</sup> to ensure the Agency addressed all requirements of the Executive Order.

### *Methodology for Identifying and Measuring Improper Payments*

OMB guidance requires that an agency's Annual Report describe the agency's program error-measurement methodology, plans for meeting improper payment targets, and plans to ensure program access and participation by eligible beneficiaries.<sup>19</sup> The first requirement of the OMB guidance noted above indicates that the report should also include sample size, and related calculations; results of annual measurements; and other applicable measurement-related information as applicable.<sup>20</sup>

In its Annual Report, SSA described the stewardship reviews it used to measure the accuracy of payments to beneficiaries in current payment status. Each FY, the Office of Quality Performance (OQP) conducts stewardship reviews of the OASDI and SSI payments issued in that FY. OQP based the stewardship reviews on a monthly sample of OASDI and SSI recipients in current pay status. In FY 2011, OQP reviewed about 1,760 OASDI and 4,252 SSI cases to determine the payment accuracy rates. If OQP detected an error, it determined whether the payment error met the definition of improper (see Appendix B). If OQP considered a program payment unavoidable,<sup>21</sup> it was not included in the projection of improper payment dollars. In addition, SSA excludes payment errors based on medical eligibility if the beneficiary is found medically ineligible in cases where retroactive ineligibility is legally prohibited.

SSA's Annual Report presented the payment accuracy results from the stewardship reviews through tables titled, *Improper Payments Experience FY 2009 – FY 2011*. This information, along with the description of the Agency's methodology for identifying and measuring improper payments for high-priority programs, satisfied the first OMB reporting requirement enumerated above.

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<sup>16</sup> OMB, Circular A-123, *supra*.

<sup>17</sup> An accountable official is one who holds an existing Senate-confirmed position that will be accountable for meeting the targets established under Executive Order 13520, *Reducing Improper Payments*. 74 Fed. Reg. 62202, § 3(a).

<sup>18</sup> OMB guidance requires that accountable officials for those agencies that are identified as having at least one high-priority program must provide an annual report to their Inspectors General in response to Section 3(b) of the Executive Order. OMB Circular A-123, *supra* at § C(2)(b), p. 16.

<sup>19</sup> *Id.*, § C(2)(b) p. 16.

<sup>20</sup> *Id.* at § C(2)(c)1, p. 17.

<sup>21</sup> Unavoidable payments are payments that result from legal or policy requirements. SSA does not consider these payments erroneous. (See Appendix B of this report.)

## *Plan for Meeting the Reduction Targets for Improper Payments*

The second OMB requirement states that the Annual Report must contain the agency's plan and supporting analysis for meeting the reduction targets for improper payments.<sup>22</sup> This requirement includes reporting

1. the root causes of errors in the program;
2. the corrective actions being implemented and their full implementation date;
3. the types of errors the corrective actions will address and their expected impact;
4. the anticipated costs of the corrective actions and their likely return on investment; and
5. an explanation of the program's performance in meeting its reduction targets.

In addition to the reduction targets, agencies with high-priority programs are required to establish semiannual or supplemental targets for reducing improper payments.<sup>23</sup> OMB guidance<sup>24</sup> states that supplemental targets should focus on higher-risk areas within the high-priority program and report on root causes of errors that agencies can resolve through corrective actions.

SSA did not provide all of the required information for the SSI corrective actions reported. In addition, the Agency did not provide an explanation of the OASDI and SSI programs' performance in meeting its reduction targets.

### **OASDI**

On April 22, 2010, OMB confirmed that SSA was not required to establish the additional supplemental measures and target for the OASDI program because SSA's payment accuracy rate met the payment error threshold of less than 2 percent of program outlays. However, SSA fulfilled other transparency-related reporting by describing the root causes of over- and underpayments.

SSA's Annual Report stated the root causes of OASDI overpayments were substantial gainful activity, computations, and earnings history. The root causes of OASDI underpayments were computations, earnings history, and workers' compensation. To mitigate these improper payments, SSA identified various areas it would analyze to potentially reduce payment errors, including<sup>25</sup>

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<sup>22</sup> OMB Circular A-123, *supra* at § (C)(2)(c)2, p. 17.

<sup>23</sup> 74 Fed. Reg. 62201, § 2(a)(ii).

<sup>24</sup> OMB Circular A-123, *supra* at § (B)(2)(e), p. 11.

<sup>25</sup> SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, March 2013, pp. 7 and 8.

1. completing work continuing disability reviews that evaluate a beneficiary's work activity to determine whether the work represents substantial gainful activity;
2. piloting the use of a statistical predictive model to help identify beneficiaries who are at risk of receiving high earnings-related overpayments; and
3. requesting reauthorization of the demonstration authority to allow testing of important improvements in the DI return to work rules.

While not required to establish supplemental measures and targets for the OASDI program, SSA provided the required annual reduction targets for the over- and underpayments. SSA did not meet its annual reduction targets for OASDI overpayments for 2 or more consecutive years.<sup>26</sup> The Agency did not explain why the OASDI program did not meet the targeted overpayment error rate reductions. However, the Executive Order's implementation guidance requires that agencies explain the program's performance in meeting its annual reduction targets.<sup>27</sup> The Agency provided the following additional information.

[OMB] determines the payment accuracy targets for [OASDI] and SSI overpayments and underpayments. For several years, our separate [OASDI] targets have been 0.2 percent for overpayments and underpayments. For [FY] 2011, for us to make any further improvements upon our 99.7 percent overpayment accuracy rate, it requires an investment of about \$717 million for each tenth of a percentage point in [OASDI] program outlays. Given our limited resources, we must balance program integrity work with other agency priorities.

## SSI

SSA's Annual Report described the root causes of SSI over- and underpayments.<sup>28</sup> The major causes of SSI overpayments were excess financial accounts, wages, and other real property. The main causes of SSI underpayments were in-kind support and maintenance, living arrangements, and wages. The corrective actions addressed such high-error categories as excess financial accounts, wages, and non-disability factors. These corrective actions included (1) conducting SSI non-disability redeterminations, (2) using the access to financial institutions (AFI) process, and (3) using the SSI Telephone Wage Reporting System (SSITWR).

**SSI Non-Disability Redeterminations** are periodic reviews of SSI non-disability eligibility factors, such as income, resources, and living arrangements. SSA conducts redeterminations to ensure it pays SSI payments in the correct amount and only to eligible individuals. The Agency completed approximately 2.62 million redeterminations in FY 2012,

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<sup>26</sup> SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, March 2013, p. 4.

<sup>27</sup> OMB, A-123, *supra* at § (C)(2)(c)2.v, p. 17.

<sup>28</sup> SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, March 2013, p. 11.

and its goal is to complete 2.62 million by the end of FY 2013. The Agency did not report the expected impact or anticipated costs for this corrective action, as required by the OMB guidance for the Executive Order.<sup>29</sup> The Agency stated that the number of redeterminations it performs depends on budgetary resources and field office workload considerations.

**AFI** is an electronic process that verifies bank account balances with financial institutions to determine SSI eligibility. AFI also detects undisclosed accounts by searching for accounts located geographically near the SSI applicant or beneficiary. The Agency estimated \$365 million in lifetime savings, which is a significant change in the estimate from the prior year's Annual Report. In last year's Annual Report, the Agency projected that once fully implemented, the AFI program will save \$900 million in lifetime program savings each year. During a discussion at the Agency's monthly Improper Payments Reduction Planning Committee meeting, the Agency stated program savings were significantly reduced because its budget constraints would not support full implementation. Therefore, the Agency estimated savings for an increased tolerance level and a reduction in the number of undisclosed financial account searches.

OMB guidance requires that agency plans and analyses for meeting improper payment reduction targets include corrective actions that are being implemented and their full implementation date.<sup>30</sup> However, the Agency did not report the full implementation date, as required.<sup>31</sup> SSA stated it changed the full implementation date to an indefinite date because of limited resources and the necessity to balance other workloads; however, the Agency did not clearly indicate this change in the Annual Report.

**SSITWR** is a dedicated telephone number that allows individuals to report their wages via a voice-recognition system. Stewardship data indicated that wage-related overpayment dollars resulted from fluctuating income and failure to timely report an increase in wages. To simplify the reporting process, SSA created SSITWR. The Agency has made the following advancements with the SSITWR system.

- In May 2009, SSA required that field offices recruit all SSI recipients and representative payees, as well as household members who influence the SSI recipients' payments, to report their wages using SSITWR.
- In September 2012, SSA expanded its representative payee outreach and mailed more than 32,000 recruitment notices to representative payees of working SSI recipients.
- In December 2012, SSA provided a smart phone application to SSI recipients serviced by 50 selected field offices.

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<sup>29</sup> OMB Circular A-123, supra at § (C)(2)(c)2.iii and iv, p. 17.

<sup>30</sup> OMB Circular A-123, supra at § (C)(2)(c)2.ii, p. 17.

<sup>31</sup> OMB Circular A-123, supra at § (C)(2)(c)2.ii, p. 17.

SSA's goal was to increase the number of monthly reporters participating in the SSITWR initiative to 38,510 in the month of September 2013. As of February 2013, SSA reported 42,121 unique wage-reporting participants. However, the Agency did not report the program's anticipated costs or return on investment, as required.<sup>32</sup>

The Agency stated it had three corrective actions in the Annual Report: conduct SSI non-disability redeterminations, use the AFI process, and use the SSITWR system. SSA has reported the same corrective actions for SSI in the last three Annual Reports, but there has not been any significant improvement in its improper payment error rates. The Agency has not provided any additional initiatives to improve the prevention, collection, and detection of improper payments. SSA stated, "While we have no new corrective actions to present at this time, we are continually enhancing our existing corrective actions, as reflected in our past three Accountable Official's Reports."

SSA did not meet its reduction targets for SSI underpayments for 2 or more consecutive years and for overpayments in FY 2011.<sup>33</sup> The Agency did not provide an explanation for not meeting the targeted error rates for overpayments and underpayments. OMB guidance requires an explanation of the program's performance in meeting its reduction targets.<sup>34</sup> The Agency provided the following additional information.

For SSI, we have not met the OMB-established goals for overpayment and underpayment accuracy. In FY 2011, our overpayment error rate declined from 6.65 percent in FY 2010 to 7.34 percent, and we did not meet the target error rate of 6.7 percent. For SSI underpayments, we improved upon our FY 2010 underpayment error rate of 2.44 percent to 1.83 percent, but again, we did not reach the OMB-established goal of 1.2 percent. For the SSI program, each tenth of a percentage point requires prevention of about \$52 million in further improvements in payment accuracy. Similar to [OASDI], our reduced funding causes us to share resources with our other critical workloads.

The Agency also developed supplemental measures and targets for the SSI program, as collectively required by the OMB guidance and the Executive Order,<sup>35</sup> to address overpayments due to a change that affects payment amount or eligibility and overpayments due to unreported wages. The supplemental measures and targets included (1) SSI non-disability redeterminations and (2) SSITWR. For SSI non-disability redeterminations, SSA's supplemental target was to conduct 2.6 million redeterminations in FYs 2013 and 2014.

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<sup>32</sup> OMB Circular A-123, supra at § (C)(2)(c)2.iv, p. 17.

<sup>33</sup> SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, March 2013, p. 10.

<sup>34</sup> OMB, Circular A-123, supra at § (C)(2)(c)2.v, p. 17.

<sup>35</sup> OMB Circular A-123, supra at § (B)(2), p. 10, and 74 Fed. Reg. 62201, § 2(a)(ii).

## *Plan for Ensuring the Initiatives Do Not Unduly Burden Program Access*

OMB's final requirement is that the Annual Report contain an agency plan, together with supporting analysis, for ensuring initiatives undertaken to implement the Executive Order do not unduly burden program access and participation by eligible beneficiaries.<sup>36</sup> OMB plans to provide further guidance for this requirement; therefore, SSA did not include this requirement in its Annual Report. Once available, we will review the applicable guidance and determine whether future Agency Reports contain the required information.

## *Quarterly High-Dollar Report to the OIG and CIGIE*

In addition to the Annual Report to the OIG, the Executive Order requires that each agency with programs susceptible to significant improper payments under IPIA submit to the OIG and CIGIE, and make available to the public, a report on any high-dollar improper payments identified by the agency.<sup>37</sup> The applicable OMB guidance requires such reporting on overpayments but does not reference underpayments.<sup>38</sup> According to OMB guidance,<sup>39</sup> a high-dollar overpayment is any overpayment that exceeds 50 percent of the correct amount of the intended payment where the

1. total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter or
2. payment to an entity<sup>40</sup> exceeds \$25,000 as a single payment or in cumulative payments for the quarter.

SSA submitted quarterly high-dollar reports to the OIG and CIGIE for the reporting period started June 2010 and each subsequent quarter thereafter. We issued a report in December 2012<sup>41</sup> covering the high-dollar reporting periods December 2011 and March, June, and September 2012. We will issue a report on our review of the Agency's high-dollar reports for FY 2013 under a separate cover.

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<sup>36</sup> OMB Circular A-123, supra at § (C)(2)(c)3, p. 17.

<sup>37</sup> 74 Fed. Reg., supra note 1 62203, § 3(f).

<sup>38</sup> OMB, Circular A-123, supra at § (C)(3), p. 17.

<sup>39</sup> OMB Circular A-123, supra at § (C)(3)(e), p. 18.

<sup>40</sup> As stated in OMB Circular A-123, supra at § (C)(5)(n), p. 22, an entity is a non-individual that owes an outstanding improper payment. The term entity excludes an individual acting in either a personal or commercial capacity (that is, a sole proprietor) or Federal, State, and local government agencies.

<sup>41</sup> SSA OIG, *The Social Security Administration's Reporting of High-Dollar Overpayments Under Executive Order 13520 in FY 2012* (A-15-13-13068), December 2012.

## *Website Submission*

According to the Executive Order,<sup>42</sup> agencies are required to submit certain information, subject to Federal privacy policies and, to the extent legally permitted, to the improper payments Website.<sup>43</sup> OMB Guidance implementing Section 2 (b) of the Executive Order<sup>44</sup> requires that agencies submit the following information for the improper payments Website.

1. names of the accountable officials;
2. current and historical rates and amounts of improper payments, including, where known and appropriate, causes of the improper payments;
3. current and historical rates and amounts of recovery of improper payments, where appropriate (or, where improper payments are identified solely on the basis of a sample, recovery rates and amounts estimated on the basis of the applicable sample);
4. targets for reducing as well as recovering improper payments, where appropriate; and
5. entities that have received the greatest amount of outstanding improper payments (or, where improper payments are identified solely based on a sample, the entities that have received the greatest amount of outstanding improper payments in the applicable sample).

In addition to providing the above information to OMB's improper payments Website, SSA created a Website that provides additional details on improper payments.<sup>45</sup> Our review of the Website confirmed its information accurately reflected the data in SSA's Annual Report.

## *Risk and Oversight Assessed by the OIG*

To assess the level of risk for the SSI and OASDI programs, we reviewed the Government Accountability Office's (GAO)<sup>46</sup> High-Risk Series reports to Congress. In February 2013, GAO provided an updated report that identified Federal disability programs as high-risk areas.<sup>47</sup> This included SSA's SSI and DI programs.

We continue overseeing the SSI and OASDI programs through various audits and evaluations. For the period April 1, 2012 through March 31, 2013, we issued 111 reports on a variety of

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<sup>42</sup> See 74 Fed. Reg., supra at 62201 to 62202, § 2(b).

<sup>43</sup> The improper payments Website is located at <http://www.paymentaccuracy.gov>.

<sup>44</sup> OMB Circular A-123, supra § (C)(6)(s), pp. 23-24.

<sup>45</sup> <http://www.ssa.gov/improperpayments>.

<sup>46</sup> Effective July 7, 2004, GAO's legal name was changed from the General Accounting Office to the Government Accountability Office.

<sup>47</sup> *GAO High-Risk Series, An Update* (GAO-13-283), February 2013.

challenges that faced the Agency and identified over \$875 million in questioned costs and \$3.12 billion in Federal funds that could be put to better use.

We are conducting an in-depth review of SSITWR to determine whether SSA's SSITWR process effectively received and processed wage reports as well as reduced improper payments. We will complete this review in 2013. We will also continue monitoring SSA's programs by conducting and supervising comprehensive financial and performance audits and making recommendations to maximize the effective operations of the Agency's programs most vulnerable to fraud and abuse.

## Accuracy of Reported Information

SSA provided supporting documentation for all figures in the Annual Report; however, we noted one error for monetary figures and one error for non-monetary figures for which the supporting documentation did not accurately reflect the Report's data. The discrepancies, however, were not substantive to the overall report content (see list of discrepancies in Appendix C). We informed SSA of these discrepancies, and the Agency corrected the amounts in the Annual Report posted on its improper payments Website.

## CONCLUSIONS

During our review, we noted the Agency generally presented all information required for Executive Order 13520 in its Annual Report, except for the corrective actions for the SSI program and explanations for OASDI and SSI programs' performance in meeting its reduction targets. We also noted two immaterial instances of figures that were inaccurate based on the supporting documentation.

The Agency has continued reporting the same corrective actions for SSI in the past three reporting cycles and has not reported any new initiatives that prevent and identify improper payments.

At the conclusion of our evaluation, the Agency provided the following comments.

We appreciate the OIG's findings that we generally met the requirements of the Executive Order and accurately reported improper payment information in all but two instances. We will use the information contained in your report to continue our efforts to ensure prevention, collection, and detection of improper payments.

We continue to evaluate the Supplemental Security Income (SSI) and Retirement and Survivors Disability Insurance (RSDI) programs to determine where we can make improvements to prevent improper payments. As you note in the report, for the past three Accountable Official reports, we identified SSI redeterminations and the Access to Financial Institutions (AFI) and SSI Telephone Wage Reporting (SSITWR) System initiatives as corrective actions. We are continually enhancing these corrective actions for the SSI program. SSI redeterminations are a proven, cost-effective method to identify payment errors. We continuously improve our SSI redetermination

statistical predictive model based upon analysis of the findings from prior years' results.

The AFI initiative is available nationally, and we are further implementing this worthwhile effort. AFI addresses the primary cause of SSI improper payments, excess financial resources. In October 2013, in an effort to detect assets in undisclosed bank accounts, we are expanding the AFI initiative by lowering our liquid resource tolerance from \$750 to \$400.

We have also made strides with SSITWR. In fiscal year 2013, we implemented the SSI Wage Reporting Smartphone Application, which allows SSI recipients to use their smart phones to report prior monthly gross wages. Wages, over the allowable limits, are the second highest reason for SSI overpayment error. We are also developing pilots for new initiatives to support program integrity as funding permits. If we determine they are successful and cost-effective, we intend to expand their use, and we will report on those initiatives in future reports.

## RECOMMENDATIONS

The Agency should continue improving its quality review process to ensure it reports all information required by the Executive Order and properly states figures based on supporting documentation.

To ensure the prevention, collection, and detection of improper payments, SSA should continue efforts to address improper payments and evaluate the SSI and OASDI programs to identify additional improvements. Continuous efforts are needed to ensure improper payments are detected timely.

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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Our objectives were to review the Social Security Administration Accountable Official's Annual Report to the Office of the Inspector General (OIG), as required by Executive Order 13520, *Reducing Improper Payments*, and determine whether the (1) figures presented were accurate and (2) Agency complied with all requirements of the Executive Order. To accomplish our objectives, we:

- Reviewed the Accountable Official's Fourth Annual Report under Executive Order 13520, *Reducing Improper Payments*, March 15, 2013.
- Reviewed applicable Federal laws.
- Reviewed applicable Office of Management and Budget guidance.
- Reviewed the Fiscal Year (FY) 2010 Stewardship Review Reports for the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs.
- Reviewed the FY 2011 Stewardship Review Reports for the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs.
- Reviewed the *Improper Payments Information Act of 2002* section of the FY 2012 Performance and Accountability Report.
- Requested data from the Office of Quality Performance to support the figures presented in the Annual Report.
- Analyzed the source data to ensure the accuracy of all figures.
- Analyzed the narrative of the Annual Report to ensure compliance with requirements of the Executive Order.

We conducted our review from March through June 2013 in Baltimore, Maryland. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

## Appendix B – DEFINING ERRONEOUS PAYMENTS

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The following table identifies the types of Social Security Administration (SSA) payments, programs affected, current reporting status, reasons for the payments, and their classification. There are two classifications.

- Unavoidable - Payments resulting from legal or policy requirements. These payments are not considered “erroneous” and may still be subject to recovery.
- Avoidable - Payments that should be reflected in the erroneous payment estimate because they could be reduced through changes in administrative actions.

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments following a cessation of eligibility due to a continuing disability review	DI <sup>1</sup> and SSI <sup>2</sup>	Not currently reflected as an error	When SSA is required by law to make payments during the appeals process, these payments are not erroneous.	Unavoidable
Payments made under the Goldberg-Kelly due-process Supreme Court decision	SSI	Reported as an unavoidable erroneous payment in the APP <sup>3</sup>	When due process requires that SSI payments continue, although the Agency has determined that a payment reduction or termination is in order, such payments are not erroneous.	Unavoidable

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<sup>1</sup> Disability Insurance (DI).

<sup>2</sup> Supplemental Security Income (SSI).

<sup>3</sup> Annual Performance Plan (APP).

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments made incorrectly because of program design	SSI	Reported as an unavoidable erroneous payment in the APP	The law requires that SSI payments be made on the first of the month based on projected income for that particular month. Changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Because SSA cannot prevent the overpayment, this situation should not be reflected in the Agency's erroneous payment rate.	Unavoidable
Payments issued after death	OASI, <sup>4</sup> DI, and SSI	Not currently reflected as an error <sup>5</sup>	Dollars released after death (either electronically or in the form of a paper check) that are reclaimed by the Department of the Treasury or returned unendorsed should not be reflected in the Agency's erroneous payment rate. Conversely, payments made after death that are improperly cashed or withdrawn, and are subject to overpayment recovery, should be reported.	Unavoidable except for fraud or misuse
Non-receipt of payment	OASI, DI, and SSI	Not currently reflected as an error	Duplicate payments issued in accordance with the Robinson-Reif Court decision are unavoidable and should not be reflected in the Agency's reports on erroneous payments. The only exception is duplicate payments incorrectly sent to abusers.	Unavoidable except for fraud or misuse
Payments based on medical eligibility	DI and SSI	Not currently reflected as an error	Payments are not erroneous if they are the result of a medical improvement review standard or a situation where the beneficiary would have been ineligible had the law permitted retroactive ineligibility.	Should not be included in the erroneous payment estimate

<sup>4</sup> Old-Age and Survivors Insurance (OASI).

<sup>5</sup> Per Office of Quality Performance (OQP), these payments can be recorded as erroneous if not returned timely per the stewardship review protocol.

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments made for Title II beneficiaries based on earnings estimates	DI and OASI	Not currently reflected as an error	When program design requires that the Agency make payments based on estimated earnings, these payments should not be considered erroneous.	Unavoidable
Undetected error	OASI, DI, and SSI	Not currently reported as an error	The Agency should not reflect undetected errors in its erroneous payment rate unless it has evidence that a specific type of erroneous payment was made.	Should not be included in the erroneous payment estimate
Duplicate payments to attorneys, vendors, and employees	Administrative Expense	Not currently reported as an error	Agency systems do not capture when the overpayment occurs; however, this type of error does not meet the reporting threshold.	Avoidable

## Appendix C – DISCREPANCIES IN THE ANNUAL REPORT

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We reviewed the Social Security Administration (SSA) *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments, March 2013*, to ensure the information reported was accurately stated. During our review, we noted the following discrepancies:

**Table C-1: Discrepancies in the SSA's Annual Report Issued in March 2013<sup>1</sup>**

Location in the Annual Report	Discrepancy Explanation <sup>2</sup>
Page 12 – Chart: Redeterminations	<p>SSA reported that it completed 2,448,095 redeterminations in Fiscal Year (FY) 2011. However, in the March 2012 Annual Report, the Agency reported 2,456,830. The March 2012 Annual Report reflected the total as of September 30, and the March 2013 Annual Report reflected the total as September 23.</p> <p>We verified that the Agency updated the FY 2011 redeterminations on its Improper Payments Website.<sup>3</sup></p>
Page 17 – Table: FY 2013 SSI – Supplemental Measures and Targets	<p>SSA reported the error amount for overpayments due to unreported wages as \$589 million in FY 2011. Supporting documentation showed \$540 million.</p> <p>We verified that the Agency updated the error amount to \$540 million on its Improper Payments Website.<sup>4</sup></p>

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<sup>1</sup> SSA, *Accountable Official's Annual Report Executive Order 13520, Reducing Improper Payments*, March 2013.

<sup>2</sup> We informed SSA of these discrepancies during our review and the Agency stated that it would correct the errors in the March 2013 Annual Report. SSA corrected the amounts on the Agency's Improper Payments Website.

<sup>3</sup> <http://www.ssa.gov/improperpayments>.

<sup>4</sup> Id.

## Appendix D – MAJOR CONTRIBUTORS

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Judi Kammer, Audit Manager

Kelly Stankus, Senior Auditor

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