
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SUPPLEMENTAL SECURITY INCOME
OVERPAYMENT NOTICES NOT SENT**

August 2010

A-01-09-19037

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: August 30, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Supplemental Security Income Overpayment Notices Not Sent (A-01-09-19037)

OBJECTIVE

Our objective was to assess the Social Security Administration's (SSA) efforts to recover overpayments from Supplemental Security Income (SSI) recipients.

BACKGROUND

In Fiscal Year 2009, SSA paid nearly 7.7 million SSI recipients over \$48 billion in Federal benefits and State supplementary payments and identified approximately \$4 billion in SSI overpayments. An overpayment is a payment made to an individual over a specific period where it is determined that more than the correct amount was paid. The *Social Security Act* indicates that when the recovery of an overpayment is determined to be appropriate, it must be made by adjustment of future payments to the individual or by recovery from such individual or his eligible spouse (or from the estate of either) after this determination.¹

SSA does not initiate recovery efforts until a notice of overpayment is issued to the recipient.² Therefore, to maintain optimum effectiveness in recovering an overpayment, an overpayment notice should be sent to the individual as soon as possible.³

Many overpayment notices are generated through the Automated Overpayment Notice System. Overpayment cases that are not processed through this System require a manually prepared notice.

¹ The *Social Security Act* §§ 1631(b)(1)(A) and (B); 42 U.S.C. §§ 1383(b)(1)(A) and (B).

² SSA, POMS, GN 02280.030 A 1 and GN 02201.011 A 1.

³ SSA, POMS, GN 02201.009 A.

To manage unresolved overpayment notices, a system-generated diary alert is used to flag cases to notify SSA that a manual overpayment notice needs to be sent. The diary system was designed to ensure individual records are current and accurate. SSA field offices are notified of a pending diary through a secure printer in the office. If no action is taken after a specified period, the case is put on a follow-up list. A database contains all monthly diary alerts sent to each field office. Development of the diary and necessary actions should be taken by the time the diary date is reached.

In our September 2003 audit, *Assessment of the Supplemental Security Income Fugitive Felon Project (A-01-03-23070)*, we identified 23 individuals with overpayments totaling approximately \$85,800 for which SSA had not initiated recovery efforts.

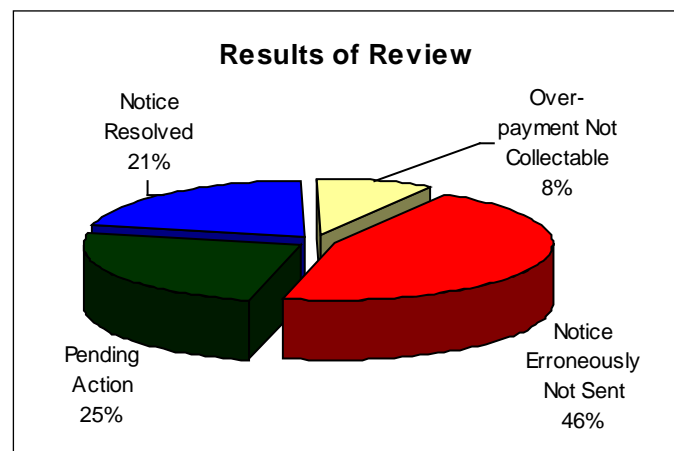
To determine the extent of this issue nationwide, we identified approximately 12,500 SSI recipients—as of October 2009—who did not appear to have been sent an overpayment notice. From this information, we determined that 200 individuals were currently receiving SSI payments from which SSA had not initiated overpayment recovery efforts. (See Appendix B for information on our scope and methodology.)

RESULTS OF REVIEW

Of the 200 SSI recipients in our population, 91 were not sent overpayment notices. Without these notices, SSA was unable to initiate recovery of \$218,536.

Specifically, for the 200 cases reviewed,

- 91 had no overpayment notice sent,
- 49 were pending further action on the overpayment(s),⁴
- 43 had an overpayment notice issued recently, and⁵
- 17 had an overpayment(s) not considered collectable by SSA.⁶



⁴ Pending further action items include: bankruptcy filings, investigations by the Office of the Inspector General, pending appeals, third-party billing situations, or overpayments greater than 10 years old. For example, a recipient was overpaid \$2,408 between May and August 2004 and an overpayment was recorded in July 2004. When we referred this case to SSA, it responded that an appeal was still pending regarding the recipient's eligibility and therefore the Agency could not yet initiate recovery.

⁵ SSA sent overpayment notices during our audit period to these 43 beneficiaries. Of these 43 cases, we did not refer 41 to SSA because the Agency had recently issued the overpayment notices.

⁶ For example, a recipient was overpaid \$2,208 from September through December 2003. SSA documented this overpayment in December 2003 but never sent a notice. When we referred this case to SSA, the overpayment was deleted from the record because it was determined to be erroneous.

OVERPAYMENT NOTICES NEVER SENT

Of the 200 cases we initially identified, 91 (46 percent) required a notice to be sent for overpayments totaling \$218,536. As of June 2010, 13 cases, totaling \$8,333, were still waiting for overpayment notices to be sent. The age range of these overpayments is shown in Table 1.

Table 1: Age of Overpayments			
Age	Number of Cases	Overpayment Amount	Percent
More than 5 years	3	\$21,012	3%
4 to 5 years	1	\$252	1%
3 to 4 years	9	\$28,191	10%
2 to 3 years	17	\$61,353	19%
1 to 2 years	57	\$102,793	63%
1 year or less	4	\$4,935	4%
Total	91	\$218,536	100%

SSA determined these overpayment notices were not sent because of system and/or manual errors. For example, a recipient was overpaid \$10,870 from November 2002 through February 2005. SSA documented this overpayment in February 2005 but had not issued a notice to the recipient. When we referred this case to SSA, it was determined there was no diary alert on the record to indicate that an overpayment notice was necessary. SSA issued an overpayment notice on April 21, 2010 to begin recovery efforts. If SSA had sent the notice in February 2005, the Agency could have recovered \$3,776 as of June 2010.⁷

Monitoring Diary Alerts

Fifteen of the 91 cases (17 percent) had an appropriate diary alert indicating that an overpayment notice needed to be sent.

However, no notice had been issued for these cases. The age range of these diary alerts is shown in Table 2.

⁷ 20 C.F.R. § 416.571 limits monthly overpayment recovery for an individual in current pay status to the lesser of (1) the amount of the individual's benefit payment for that month or (2) an amount equal to 10 percent of the individual's total income (countable income plus SSI and State supplementary payments) for that month.

Table 2: Age of Diary Alerts			
Age	Number of Cases	Overpayment Amount	Allocation
1-2 years	10	\$74,356	67%
< 1 year	5	\$13,708	33%
Total	15	\$88,064	100%

The remaining 76 of these 91 cases went undetected by SSA's system and staff as needing a proper diary alert and/or subsequent overpayment notice.

In 38 of these cases, a different diary alert was coded to place overpayment collection on hold.⁸ Because of this diary alert, the system was not able to generate the proper diary alert to notify SSA that an overpayment notice needed to be sent. In all these cases, the pending diary alert should have been removed since proper development of the cases had been completed, thereby allowing recovery efforts to be initiated.

Overwriting Prior Overpayment Sequences

We found 3 of the 91 cases had an overpayment sequence updated with additional, more recent overpayment information, yet a notice still had not been sent as of June 2010. Information about overpayment occurrences is stored on SSA's records.

Each new overpayment and subsequent increase or decrease forms a sequence that is assigned a number. Sequences can be modified as long as an overpayment notice has not been issued.

For example, a recipient was overpaid \$7,574 from August 2007 through July 2008. SSA documented this overpayment in August 2008 but never issued a notice. When this case was referred to SSA, the overpayment sequence in question was modified to show an overpayment of \$22,217 for the extended period August 2007 through May 2010. As of June 2010, an overpayment notice had not been sent.

⁸ This diary alert holds overpayment collection due to a referral to another agency or bankruptcy decision.

CONCLUSION AND RECOMMENDATIONS

Overall, SSA had initiated recovery efforts for most cases with an identified overpayment. Within the small population we identified, we found cases for which an overpayment notice had not been sent—sometimes for many years. Therefore, we recommend SSA:

1. Remind management and staff to send overpayment notices as soon as possible and monitor and process diary alerts for unresolved overpayment notices.
2. Issue an overpayment notice for the remaining 13 cases in the population.

AGENCY COMMENTS

SSA agreed with the recommendations. See Appendix C.

A handwritten signature in black ink, appearing to read "Pat P. O'Carroll Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX C – OIG Contacts and Staff Acknowledgments

Acronyms

C.F.R.	Code of Federal Regulations
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Retrieved Supplemental Security Income records with an unresolved overpayment amount. We then summarized the data by Social Security number and applied additional criteria to identify records with specific overpayment sequences where
 - a straight overpayment or increase to a previously existing overpayment was on the record;
 - a manual overpayment notice was needed or an automated notice was delayed;
 - the full overpayment sequence amount was still outstanding;
 - the overpayment amount was greater than \$50;
 - the overpayment detection date was within a 10-year period, between June 1, 1999 and May 31, 2009;
 - the notice date field was blank; and
 - the notice status code indicated that a notice still needed to be sent.
- After these criteria were applied, we identified 12,543 records that may not have been sent an overpayment notice as needed. We then analyzed the records and identified 200 records still in pay status as of October 2009.¹ After our initial review of the 200 cases, we identified 117 cases that did not appear to have been sent an overpayment notice. We referred these 117 cases to SSA for review on March 5, 2010 to (1) explain why an overpayment notice was not sent and recovery efforts were not initiated for the overpayment(s) in question and (2) correct the records, as necessary.
- Calculated overpayments that could have been recovered had the notices been sent.

¹ We reviewed a sample of cases in non-pay status and determined there were no significant issues to warrant further review.

We conducted our audit between February and June 2010 in Boston, Massachusetts. We found the data used for this audit were sufficiently reliable to meet our audit objective. The entities audited were SSA field offices under the Deputy Commissioner for Operations, and the Office of Applications and Supplemental Security Income Systems under the Deputy Commissioner for Systems. 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 objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: August 16, 2010 **Refer To:** S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: James A. Winn /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Supplemental Security Income Overpayment Notices Not Sent" (A-01-09-19037)—INFORMATION

Thank you for the opportunity to review and comment on the draft report. Attached is our response to the report findings and recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Rebecca Tothero, Acting Director, Audit Management and Liaison Staff, at (410) 966-6975.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “SUPPLEMENTAL SECURITY INCOME OVERPAYMENT NOTICES NOT SENT” (A-01-09-19037)

We offer the following comments.

General Comment

We appreciate your statement on page 4, where you recognize that “Overall, SSA had initiated recovery efforts for most cases with an identified overpayment.” Nevertheless, we do agree with your recommendations and will take actions to further improve our process.

Recommendation 1

Remind management and staff to send overpayment notices as soon as possible and monitor and process diary alerts for unresolved overpayment notices

Comment

We agree. By August 31, 2010, we will issue an administrative message reminding management and staff to send overpayment notices when overpayments are determined and process diary alerts for unresolved overpayment notices.

Recommendation 2

Issue an overpayment notice for the remaining 13 cases in the population.

Comment

We agree. By August 31, 2010, we will issue overpayment notices for the remaining 13 cases.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Judith Oliveira, Director, Boston Audit Division

David Mazzola, Audit Manager

Acknowledgments

In addition to those named above:

Chad Burns, Auditor

Katie Greenwood, Auditor

Kevin Joyce, IT Specialist

William Kearns, IT Specialist

Charles Zaepfel, IT Specialist

For additional copies of this report, please visit our Website at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-01-09-19037.

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OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

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