
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY ADMINISTRATION'S
DEVELOPMENT OF EARNINGS ALERTS FOR
SUPPLEMENTAL SECURITY INCOME RECIPIENTS**

December 2012

A-02-11-11185

AUDIT REPORT



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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.

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- 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.**
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MEMORANDUM

Date: December 20, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Development of Earnings Alerts for Supplemental Security Income Recipients (A-02-11-11185)

OBJECTIVE

Our objective was to determine the effectiveness of the Social Security Administration's (SSA) development of earnings alerts for Supplemental Security Income (SSI) recipients.

BACKGROUND

SSI is a needs-based program for aged, blind, or disabled individuals, and recipients must meet certain income and resource limits for eligibility.¹ Income is counted on a monthly basis and, generally, the more income a recipient has, the lower his/her benefit payment will be.² An individual who has too much income in a particular month is not eligible for SSI in that month.³ Income includes wages and net earnings from self-employment.⁴ Disabled or aged SSI recipients (or their representative payees) are responsible for reporting any information that may affect their eligibility or payment amount.⁵

SSA systems alert Agency staff when financial information reported by recipients does not match information from other sources, such as other Federal and State agencies. SSA systems generate K6 and K7 alerts⁶ when wage information provided by the

¹ The *Social Security Act* § 1611, 42 U.S.C.1382. See also, SSA, POMS, SI 00501.001, *Eligibility Under the Supplemental Security Income Provisions* (January 18, 2005).

² SSA, POMS, SI 00810.300, *Computing Countable Income General Information* (October 19, 2011).

³ SSA, POMS, SI 00810.001, *Income and Supplemental Security Income Eligibility* (September 26, 2011).

⁴ SSA, POMS, SI 00810.015, *Types of Income* (September 26, 2011).

⁵ SSA, POMS, SI 02301.005, *SSI Posteligibility – Recipient Reporting* (November 5, 2007).

⁶ SSA uses the terms "alerts" and "diaries" interchangeably.

Internal Revenue Service (IRS) exceeds the earnings for the tax year reported by SSI recipients.⁷ SSA systems generate K6 and K7 alerts in September of each year⁸ after the IRS and SSA databases are matched. When State-reported wages exceed the wages reported by SSI recipients, SSA generates S2 alerts.⁹ SSA systems generate these alerts quarterly.

As of July 2012, active SSI records had 313,167 earnings alerts pending. (There were approximately 140,000 K6 and K7 alerts and 173,000 S2 alerts.) Of these pending alerts, over 235,000 (75 percent) were pending for 6 months or longer.

SSA designed the earnings alert system to ensure individual records are current and accurate. The accuracy of earnings information is important since earnings affect a recipient's SSI eligibility and/or payment amount. SSA staff must resolve the discrepancy in earnings information highlighted by the earnings alert, correct the earnings information in SSA's Supplemental Security Record (SSR), determine past and continuing SSI eligibility, and pursue any overpayment recovery.

Limited Issue Reviews and Redeterminations

SSA addresses earnings alerts as limited issues (LI)¹⁰ or redeterminations.¹¹ LI cases require that SSA staff develop a specific issue or event without conducting a redetermination. A full redetermination is a review of all a recipient's or couple's non-medical eligibility factors (that is, income, resources, and living arrangements) to determine whether the recipient or couple is still eligible for, and receiving, the correct SSI payment. SSA profiles cases based on multiple factors,¹² including whether the

⁷ SSA systems generate a K6 alert if the recipient or deemor's earnings on the Master Earnings File (MEF) exceed the amount on the SSR by \$1,000 or more or a K7 alert if a deemor's earnings exceed the amount posted on the SSR by \$2,000 or more and either the MEF contains an amended earnings report or the SSR does not reflect any earnings for the deemor.

⁸ Although an interface is done every August, following the close of a tax year reporting period, the initial release of K6 and K7 alerts to SSA field offices may occur later in October. A supplemental release is usually scheduled in March of the following year.

⁹ SSA matches the SSR against the Office of Child Support Enforcement's National Directory of New Hires wage database looking for significant wage discrepancies for SSI recipients and deemors in all States and the District of Columbia. An alert is generated when the wage amount for a quarter exceeds the SSR wage amount for that quarter by more than the "tolerance." The tolerance for a recipient's wage is \$250 for a quarter. The tolerance for a deemor's wage is \$500 for a quarter. The Office of Quality Performance also scores the S2 alert cases; the lowest 25 percent scored cases are not posted to the SSR for development. The S2 alert will not be generated for self-employment income because it is reported annually, not quarterly.

¹⁰ The field office may select a case for limited review because of a single issue, such as an alert resulting from a match between SSA's records and those of another agency.

¹¹ SSA, POMS, SI 02305.001 (October 4, 2007) defines redeterminations.

¹² Modernized SSI Claims Systems (MSSICS) income, resource, and living arrangement variables are used to determine whether cases are selected for redeterminations.

case has an earnings alert on record, when determining which cases will have full redeterminations. SSA further ranks redeterminations as those with a high, middle, or low error profile. Cases with a higher error profile are more likely to contain errors that affect a recipient's eligibility or SSI payment amount.¹³

Redetermination and limited issue cases are included in SSA's redetermination workload, and SSA management places the same priority on both types of review. SSA instructs its field office staff to regularly monitor this workload in Starz and Stripes the Next Generation (SSTNG), which is a system that tracks the workload, or other management information.¹⁴

Administrative Finality and Diligent Pursuit

The Agency's administrative finality policy prevents recovery of overpayments that occurred more than 2 years earlier¹⁵ unless staff finds that fraud occurred or similar fault applies. Similar fault exists when there is no fraudulent intent and a wide discrepancy exists between new data and the data previously reported by a recipient as well as when other criteria are met.¹⁶

When SSA staff diligently pursues alerts, the Agency can recover overpayments that occurred up to 2 years before the date of the alert. When staff does not diligently pursue alerts, SSA can only recover overpayments that occurred 2 years before the date the alerts were processed. POMS¹⁷ defines diligent pursuit as developing alerts within 6 months, but it does not mandate staff clear earnings alerts within that time limit.

¹³ According to the Office of Quality Performance report, *SSI Redeterminations Change Rate Study Fiscal Year 2010* (December 2010), the likelihood of overpayment is the sole criterion for selecting Profile C high error profile redeterminations. Other redeterminations, such as Profile A or Data Operations Center exclusions, are selected based on a combination of a lower likelihood score and other case characteristics, such as manual deeming. Still other redeterminations are selected because of case characteristics only, such as the attainment of age 18 or 22 for Profile K. Limited issues are selected from cases that would not normally be selected for a redetermination except for the existence of a diary, such as an earnings alert.

¹⁴ A list of pending initiated redeterminations can be obtained from SSTNG or the redetermination/limited issue pending list in Management Information Central. Staff can access Management Information Central via the Executive and Management Information System Webpage on SSA's Intranet.

¹⁵ SSA, POMS, SI 04070.010 (September 9, 2011) states a determination or decision can be reopened and revised at any time upon a finding of "fraud" or "similar fault." SSA, POMS, SI 04070.020 (March 2, 2012) discusses the definition for fraud and similar fault in detail.

¹⁶ SSA, POMS, SI 04070.020 (March 2, 2012) discusses other criteria needed to establish similar fault.

¹⁷ SSA, POMS, SI 04070.040, *Revising SSI Determinations* (June 14, 2005). SSA considers earnings alerts to meet "diligent pursuit" criteria when they are developed within 6 months.

Redetermination Workload Management

Before Fiscal Year (FY) 2013, SSA instructed its staff to complete 55 to 60 percent of the redetermination workload within the first 6 months of each FY. SSA's goal was to address the remaining 40 to 45 percent of the redetermination workload in the second part of each FY. SSA ended the practice of setting a mid-year goal for redeterminations as of FY 2013.

Audit Population

To meet our objective, we identified from 1 segment of the SSR 16,952 recipients in current pay status with an earnings alert in May 2009. To determine how efficiently staff developed these alerts, we obtained SSR data for the same Social Security numbers (SSN) 1 year later – in May 2010.¹⁸ From this match, we identified 2,883 SSI recipients who were in current pay status and still had an unresolved earnings alert for at least 17 months as of May 2010.

We randomly selected a sample of 250 of the 2,883 cases and reviewed SSA's records¹⁹ in April 2011 to determine whether SSA staff resolved the earnings alert and posted overpayments accordingly. If the earnings alerts were not developed, we determined the potential overpayments. In September 2011, we requested that SSA review 114 of our sample cases because we believed they were overpaid. In May 2012, the Agency confirmed that 109 of our 114 cases were overpaid.

RESULTS OF REVIEW

SSA's development of SSI earnings alerts was not fully effective. While SSA has the opportunity to record the largest possible overpayment caused by earnings if it diligently pursues earnings alerts, over 86 percent of the 16,952 earning alerts we identified in May 2009 had been pending over 6 months. In May 2010, 2,883 of the 16,952 earnings alerts were still pending.

We reviewed a sample of 250 of the 2,883 recipients in April 2011, which was 28 months after the month SSA systems generated the alerts. We reviewed cases that SSA had developed and those it had not. For those not developed, we identified improper payments caused by the earnings that generated the alerts. We also reviewed cases SSA developed and found additional improper payments that SSA did not identify. SSA confirmed our findings, which are detailed in the following table.

¹⁸ Using the SSN, we extracted the SSR again about 1 year later and compared the field containing alerts to the original data because the SSR does not retain the alerts once they are cleared.

¹⁹ We reviewed SSR, MSSICS, Detailed Earnings Query, Summary Earnings Query Systems, and other pertinent information related to earnings development and alerts in SSA's Intranet, such as the SSI Diary Replacement Alert System.

	Number of Individuals	SSA Identified Improper Payment as of April 2011	OIG Identified Improper Payment as of April 2011
SSA Identified Overpayment	73	\$213,326	\$0
SSA Identified Overpayment/Underpayment, but OIG Identified Additional Overpayment	58	\$206,321	\$159,933
SSA Identified No Overpayment, but OIG Identified Overpayment	51	\$0	\$317,619
No Overpayment	68	\$0	\$0
Total	250	\$419,647	\$477,552

Approximately \$300,000 of the total improper payments we identified was uncollectable because SSA staff did not diligently pursue the earnings alerts. Based on these results, we estimate that SSA could have recorded approximately \$110 million more in SSI overpayments for almost 25,140 recipients than it identified if it diligently pursued earnings alerts. Additionally, SSA still had not developed the earnings alerts for nine recipients in our sample as of May 2012, over 41 months after the initial date of the earnings alerts.

SSA's management of its redetermination workload may have limited the number of cases with earnings alerts SSA staff diligently pursued. Before FY 2013, SSA instructed its staff to complete 55 to 60 percent of the annual redetermination workload within the first 6 months of a FY. Since earnings alerts are usually generated in the first half of a FY and addressed through the redetermination workload, delaying development of 40 to 45 percent of the redetermination workload to the second part of a FY lowered the likelihood that earnings alerts in these cases will be diligently pursued. SSA's policy to diligently pursue earnings alerts allows SSA to record the largest possible overpayment when SSA staff confirms unreported earnings. Delays in developing earnings alerts may lower the amount of improper payments SSA can collect from overpaid recipients.

Furthermore, some of the earnings alerts that had been generated may have been unnecessary. Of the 250 recipients in our sample, 46 had alerts identifying earnings that were too low to change the recipient's payment amount. Most of these recipients were children living with their parent(s) and/or multiple siblings, and the earnings would have needed to be much higher than those for an individual who lived alone to affect their SSI payment amount. A more defined earnings alert system that accounts for all factors that may affect a payment change may allow the Agency to more efficiently use its limited resources.

DILIGENT PURSUIT OF EARNINGS ALERTS

The Agency's administrative finality rule generally allows recovery of overpayments that occurred up to 24 months before SSA staff develops an overpayment. The date SSA uses to calculate an overpayment period can vary for cases with earnings alerts depending on when SSA begins developing an earnings alert. When SSA staff begins developing the earnings alert within 6 months of the date the alert was generated, it can recover overpayments caused by the recipient's earnings up to 24 months before the alert was generated.

When earnings alerts are not diligently pursued, SSA can only recover overpayments 24 months before the date SSA staff started developing the alert. This is especially important for K6 and K7 alerts, which inform staff of earnings from the previous year. S2 alerts are generated 6 to 9 months after the claimant earned the wages.

The following three examples demonstrate the effect of the diligent pursuit and administrative finality rules. As the examples show, the amount of an overpayment caused by unreported earnings SSA staff can pursue depends on how quickly SSA staff addresses an earnings alert.

For all three examples, SSA systems generated the K6 earnings alert on September 15, 2009 for earnings in Calendar Year 2008. The SSI recipient did not report the earnings and SSA identified the earnings through a data match with the IRS.

Example 1 – SSA diligently pursued the earnings alert and was able to post the full overpayment amount.

- SSA staff initiated a redetermination to develop the alert by March 14, 2010, within 6 months from the date the alert was generated.
- SSA staff could review the recipient's earnings back to October 2007, which was 2 years before the alert date of September 2009.
- SSA staff determined the alerted earnings caused the recipient to be ineligible for SSI payments and overpaid \$500 a month for 12 months between January and December 2008.
- SSA staff posted the total overpayment amount of \$6,000 on the recipient's record.

Example 2 – SSA did not diligently pursue the earnings alert and could only partially post the overpayment amount.

- SSA staff did not initiate the redetermination until September 15, 2010, about 1 year after the alert was generated.
- SSA staff determined the alerted earnings between January and December 2008 belonged to the recipient and identified an overpayment of \$500 each month, for a total of \$6,000.

- SSA staff could only consider the earnings 2 years before the date the staff opened the case since it did not diligently pursue the earnings alert. Accordingly, it could only address earnings from October 2008 to September 2010.
- SSA staff determined the earnings caused the recipient to be ineligible for SSI payments between October and December 2008 and posted an overpayment of \$1,500 on the record.
- Because of the diligent pursuit and administrative finality rules, the Agency could not post overpayments incurred from January to September 2008. SSA missed the opportunity to record and collect \$4,500 in overpayments that it could have recorded had the staff developed the earnings 6 months earlier.

Example 3 – SSA staff did not diligently pursue the earnings alert and could not post an overpayment.

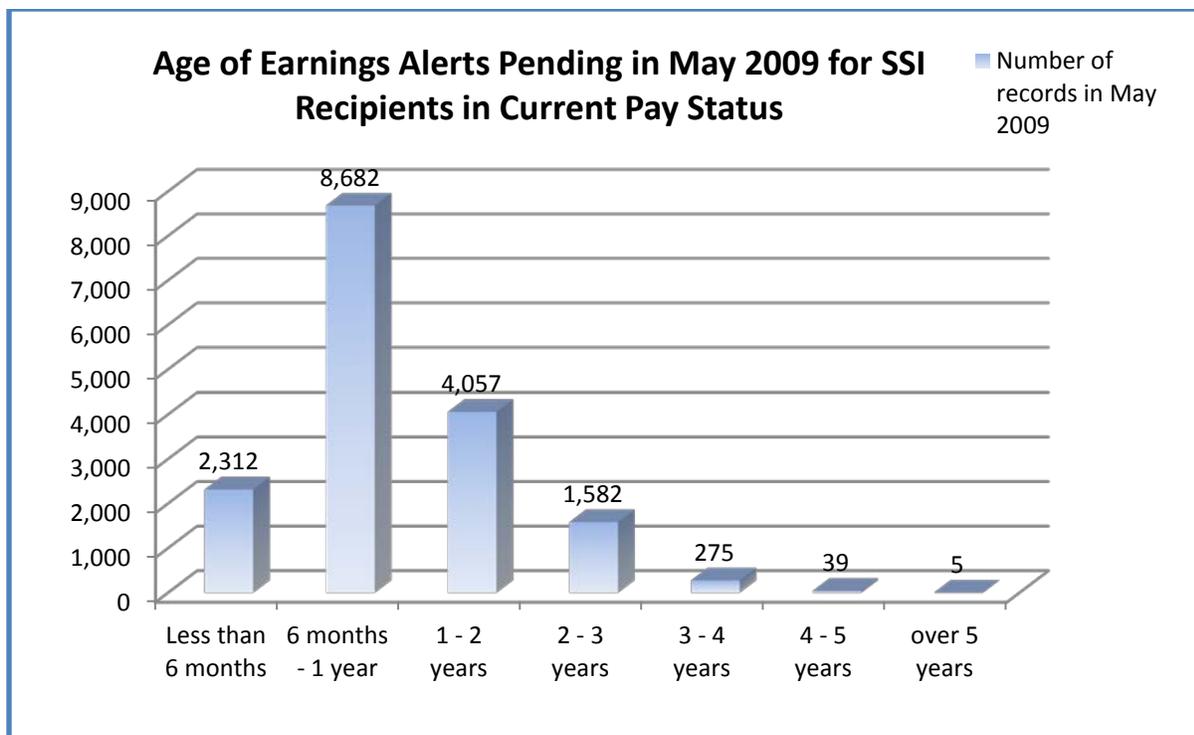
- SSA staff did not initiate a redetermination until September 15, 2011 about 2 years after the date the alert was generated.
- SSA staff determined the alerted earnings between January and December 2008 belonged to the recipient and identified an overpayment of \$500 each month, for a total of \$6,000.
- SSA staff could only consider the earnings 2 years before the date the staff opened the case since it did not diligently pursue the earnings alert. Accordingly, it could only address earnings from October 2009 to September 2011.
- Because of the diligent pursuit and administrative finality rules, the Agency could not post the overpayments incurred from January to December 2008. SSA missed the opportunity to record and collect the total overpayment of \$6,000.

In the examples above, had SSA developed the K6 earnings alert within 6 months, it could have collected up to 12 months of overpayments. For each month after the 6-month diligent pursuit period, SSA can collect fewer and fewer months of overpayments. While S2 alerts represent more current earnings, and staff has more time available to work these alerts and collect the full overpayments, we reviewed alerts that were pending well beyond the 6-month period and were uncollectible due to administrative finality.

POPULATION OF CASES NOT DILIGENTLY PURSUED

We identified 16,952 earnings alerts from 1 segment of the SSR for recipients in current pay status in May 2009. At that time, over 14,000 (86 percent) of the alerts were pending for over 6 months.²⁰ Please see the chart below.

²⁰ SSA considers earnings alerts to meet diligent pursuit criteria when they are developed within 6 months.



As of May 2010, 2,883 of these alerts were still pending and had been pending for at least 17 months. The age of the alerts in our population as of May 2010 is shown in the table below.

Age of Earnings Alerts as of May 2010 ²¹	Number of Records
1 - 1 1/2 year	283
1 1/2 - 2 year	1,349
2 - 3 years	782
3 - 4 years	386
4 - 5 years	70
5 - 6 years	11
over 6 years	2
Total	2,883

We reviewed the 13 cases with earnings alerts pending for 5 or more years. We determined that SSA missed the opportunity to collect overpayments for all 13 cases²² for 2 main reasons. SSA could not collect the overpayment for 9 of these 13 cases

²¹ As of May 2010, all recipients had an alert date of December 29, 2008 or earlier.

²² These cases were all in current pay at the time of their development and were required to be developed. When the case is not in current pay, SSA staff can defer the earnings development until the case is reinstated or a new claim is filed.

because it did not develop the case timely. SSA incorrectly developed the earnings alert for the remaining four cases. For instance, SSA staff posted unearned income on the recipient's record or took actions to make the recipient ineligible and deleted the alert, but it did not simultaneously post wages for the 2 prior years allowable under administrative finality.

We also reviewed a random sample of 250 of the 2,883 recipients in April 2011. SSA had developed the earnings alerts for 131 of the 250 cases and posted overpayments of approximately \$420,000. In reviewing these cases, we concluded, and SSA confirmed, that 58 of these individuals had additional improper payments of approximately \$160,000. We also reviewed the 119 cases SSA had not developed and found that 51 recipients were improperly paid approximately \$318,000 because of the earnings identified.

	Number of Individuals	SSA Identified Improper Payment as of April 2011	OIG Identified Improper Payment as of April 2011
SSA Identified Overpayment	73	\$213,326	\$0
SSA Identified Overpayment/Underpayment, but OIG Identified Additional Overpayment	58	\$206,321	\$159,933
SSA Identified No Overpayment, but OIG Identified Overpayment	51	\$0	\$317,619
No Overpayment	68	\$0	\$0
Total	250	\$419,647	\$477,552

SSA could not record approximately \$300,000 of the \$478,000 of improper payments we identified because staff did not diligently pursue the cases. The \$300,000 of improper payments occurred beyond 2 years from when the earnings alerts were developed.²³ Under administrative finality rules, SSA can only collect improper payments that occurred within 2 years of the reopening of a case that is not diligently pursued unless fraud or similar fault is determined. Fraud or similar fault was not found to have occurred in these cases.

²³ Under this rule, SSA cannot reopen previous determinations over 2 years old unless its staff finds fraud or similar fault.

Development of Earnings Alerts

Additionally, SSA staff did not develop the earnings correctly for 24 of 109 recipients. We identified three general issues.

- In 12 cases, SSA developed some earnings but did not develop all earnings that affected the SSI payment amounts. For example, SSA staff did not develop the earnings for a recipient when developing the earnings for the recipient's spouse.
- In 10 cases, SSA staff did not develop the earnings for all months allowed under SSA's administrative finality rule. For example, SSA posted wages for 19 months in one case, but did not post wages for 5 additional months that were allowable under administrative finality. The Remarks screen in SSA's MSSICS indicated that staff was going to post wages for these months, but the wages were not posted.
- In two cases, SSA staff developed and verified the earnings in one SSA system but not another. More specifically, staff entered information in MSSICS but did not send the verified information to the SSR, which would have recorded the related overpayment. SSA staff use MSSICS to develop earnings alerts but have to take actions to send the developed information in MSSICS to the SSR. Once the information is in the SSR, an overpayment is recorded and SSA can attempt to collect it.

DILIGENT PURSUIT AND REDETERMINATION WORKLOAD MANAGEMENT

SSA policy²⁴ defines the diligent pursuit of earnings alerts as those worked within 6 months of when the alerts were created. As previously explained in this report, SSA has the opportunity to record more overpayment months when alerts are diligently pursued. While SSA has this policy, it instructed its staff to develop 55 to 60 percent of its annual redetermination workload within the first 6 months of each FY before FY 2013. Since a majority of earnings alerts are typically generated in the first half of a FY²⁵ and addressed through the redetermination workload, delaying development of 40 to 45 percent of the redetermination workload lowered the likelihood that earnings alerts in these cases were diligently pursued.

SSA's policy to diligently pursue earnings alerts allows SSA to record the largest possible overpayment when SSA staff confirm unreported earnings. Delays in developing earnings alerts may lower the amount of improper payments SSA can collect from overpaid recipients.

²⁴ SSA, POMS, SI 04070.040, *Revising SSI Determinations* (June 14, 2005).

²⁵ Of the 872,279 K6, K7, and S2 alerts generated for development in FY 2012, 487,970 (56 percent) were available for development at the beginning of the first quarter of the FY and 604,700 (69 percent) were available for development in the first half of the FY.

EARNINGS ALERTS THAT DO NOT LEAD TO A CHANGE IN THE SSI PAYMENT AMOUNT

Per SSA policy,²⁶ earnings alerts do not have to be developed if the earned income would not affect SSI eligibility or payment. SSA's current earnings alert system identifies earned income for recipients or their deemor(s), regardless of whether the earned income amount will affect a recipient's eligibility or payment amount. As such, SSA staff spends time determining whether earnings would negatively affect eligibility or the payment amount thereby spending time developing unnecessary alerts.

Different recipients can earn different amounts of earned income before the earnings affect their eligibility or payment amount based on the composition of their household. For example, an individual recipient living alone, an individual living with a spouse, a child recipient living with parents, and a child recipient living with parents and other deeming children can all earn different amounts before their benefit payments would be affected. SSA could generate earnings alerts that are more likely to result in a change to a recipient's eligibility or SSI payment amount if its systems considered the number of household members, exclusions, and other factors that determine the SSI payment amount along with the amount of earnings identified.

CONCLUSION AND RECOMMENDATIONS

Executive Order 13520, *Reducing Improper Payments*,²⁷ states that the Government must make every effort to confirm that the right recipient receives the right payment for the right reason at the right time. SSA's earnings alert system identifies past earnings, which may indicate a recipient was overpaid because of unreported earnings.

We found that SSA did not timely develop many earnings alerts. When SSA does not diligently pursue earnings alerts, it may not be able to recover the full amount of improper payments it could have if it had diligently pursued the alerts. We estimate that SSA could have prevented or recovered approximately \$110 million in SSI overpayments for 25,140 recipients than SSA identified had it diligently pursued all earnings alerts.

Further, we believe these results are understated. Our results are based on a sample of 2,883 cases of earning alerts that were pending for a year or more. Over 86 percent of the larger population of 16,952 earning alerts from which we selected our sample had alerts that were not addressed within 6 months. Since SSA did not meet the diligent pursuit requirement for these cases, staff may have missed opportunities to identify and collect additional overpayments.

²⁶ SSA, POMS, SI 02310.055, *Master Earnings File Match* (January 23, 2006) and SSA, POMS, SI 02310.062, *State Wage Record Match* (March 19, 2009) discuss procedures for no development.

²⁷ *Reducing Improper Payments*, 74 Fed. Reg. 62201 (November 25, 2009).

While SSA's policy of diligently pursuing earnings alerts provides SSA the opportunity to collect additional months of overpayments when compared to cases not diligently pursued, SSA had previously instructed its staff to develop slightly more than half of the redetermination and limited issue workload in the first half of a FY. This policy and SSA's practice seemed contradictory and seemed to provide two different performance metrics. The Agency reported to us that it had reassessed its management of the redetermination workload and ended the practice of setting a mid-year goal for redeterminations as of FY 2013. Since this change was implemented after we concluded our audit work, we did not assess its impact on the development of earnings alerts. Even with this change, SSA needs to ensure that it manages this workload in a manner that maximizes the amount of overpayments identified.

SSA has limited resources, and those resources should be used as efficiently as possible. SSA has an opportunity to redefine the current alert system to generate earnings alerts more likely to be error-prone if it factors in the number of deemors and siblings in the household and other pertinent information that may affect benefit payment changes. SSA profiles cases for redeterminations based on multiple factors, including whether the case has an earnings alert on record. Redeterminations may be more likely to identify payment errors if SSA includes earnings alerts more likely to identify earnings that result in a payment change in the profiles used to select the redetermination cases.

Accordingly, we recommend that SSA:

1. Remind staff to develop alerts by taking all appropriate actions to post earnings to the SSR accurately and transmit earnings data to the SSR when recorded in MSSICS.
2. Evaluate whether it is cost-effective to establish earnings alerts more likely to lead to payment changes. More specifically, SSA should consider using focused criteria to generate earnings alerts that take into account other factors that determine the SSI payment amount along with the amount of earnings identified.

AGENCY COMMENTS

SSA agreed with the recommendations. See Appendix C for the Agency's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope, Methodology, and Sample Results

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgments

Acronyms

Fed. Reg.	Federal Register
FY	Fiscal Year
IRS	Internal Revenue Service
LI	Limited Issue
MEF	Master Earnings File
MSSICS	Modernized Supplemental Security Income Claims System
OIG	Office of the Inspector General
POMS	Program Operations Manual System
RMA	Retrospective Monthly Accounting
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number
SSR	Supplemental Security Record
SSTNG	Starz and Stripes the Next Generation
U.S.C.	United States Codes

Scope, Methodology, and Sample Results

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and other relevant legislation and guidance, as well as the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Extracted 1 segment of all active Supplemental Security Records (SSR) with an earnings alert in May 2009, which identified 57,922 Supplemental Security Income (SSI) earnings alerts. We reviewed the extracted SSR and identified 16,952 recipients in current pay status. Since SSA is not required to take any actions for the 40,058 individuals not in current pay or terminated status, we reviewed only the earnings alerts for 16,952 recipients in current pay status. From this population, we identified 3 groups: (1) 13,472 recipients whose earnings alert was cleared between May 2009 and May 2010; (2) 593 recipients who were no longer in current pay status as of May 2010 for which the earnings development is deferred; and (3) 2,883 recipients who were in current pay status and still had an unresolved earnings alert on their record approximately 1 year after our initial data extract.
- Selected a random sample of 250 records from the 2,883 records. We reviewed the SSR, Modernized SSI Claims Systems, Summary Earnings Query Systems, Detailed Earnings Query, and other pertinent SSA records to identify potential overpayments.
- Computed overpayments based on the best available information in SSA's records. We used the earnings available in the Master Earnings File (MEF) and/or State wage amount available in the New York Region's Intranet Website. For the frequency of wage payments, we used the last reported information and/or the determination made by Agency staff and recorded in the Modernized Supplemental Security Income Claims System. We posted 3 pay periods for 2 months in a year for biweekly paid wages or posted 5 pay periods for 4 months in a year for weekly paid wages. We used the MEF amount divided by 12 if the Detailed Earnings Query indicated earnings were from self-employment.
- Compared the computed earnings from the above steps to the earnings posted on the SSR and determined potential overpayments that SSA staff had not developed. When the wages were from either the spouse or parent(s), we computed deeming income. In both situations, we used the manual Title XVI Interactive Comp available in the Personal Communicator Main Menu to compute correct Federal countable income. We also factored in the number of household members (that is, the number of ineligible spouse, parent, or child) that may affect the benefit amount.

Furthermore, we divided the computed deeming income by the number of eligible children, if applicable. We did not use Retrospective Monthly Accounting (RMA)¹ when computing income because the difference did not materially affect the payment, to which SSA staff who reviewed our work agreed. We concluded that using the budget month would not have a significant impact on the overpayment computation.

- Requested in September 2011 that SSA's Office of Public Service and Operations Support review the 114 cases in which we identified overpayments. In May 2012, the Agency confirmed that 109 of the 114 cases had overpayments. SSA staff members verified the overpayment amounts that we had computed or re-computed the correct overpayment amount, if different.
- Analyzed the work SSA completed.

We conducted our audit in the New York Audit Division between August 2011 and May 2012. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. The entities audited were SSA's field offices under the Office of the Deputy Commissioner for Operations. 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.

SAMPLE RESULTS AND PROJECTIONS

We identified 16,952 recipients in current pay from 1 segment of the SSR with an earnings alert in May 2009. To determine how efficiently staff developed these alerts, we obtained SSR data for the same Social Security numbers (SSN) 1 year later in May 2010. From this match, we identified 2,883 SSI recipients who were in current pay status and still had an unresolved earnings alert about 1 year after our initial data extract. We randomly selected a sample of 250 from the 2,883 cases and reviewed SSA records in April 2011 to determine whether SSA staff resolved the earnings alert and posted any overpayments accordingly.

SSA had developed the earnings alerts for 131 of the 250 cases and posted overpayments of about \$420,000. Estimating the results to the population, we estimate that SSA had posted overpayments of \$97 million for 30,220 recipients. (Refer to Tables B-3 and B-5 for this estimated dollar amount and Tables B-2 and B-4 for the estimated number of recipients.) However, we concluded, and SSA confirmed, that

¹ SSA, POMS, SI 02005.001, *Retrospective Monthly Accounting Computation* (September 22, 2010). SSA bases payment for a month on known circumstances for a closed month. RMA has two elements: the eligibility test, which is based on the individual's (or couple's) income, resources, and other factors in a month; and the payment computation, which is generally based on the income in the second month before the month for which payment is being computed, which is called the "budget month."

58 of these individuals had additional improper payments. Another 51 individuals, whom SSA had not previously identified as overpaid, also received improper payments.

SSA confirmed that additional improper payments of approximately \$478,000 were made to 109 of the 250 recipients because of the alerted earnings. We estimated our results to the population and determined that 25,140 recipients or their representative payees inaccurately reported their or their spouses or parents' earnings to SSA and had been overpaid due to their undeveloped earnings alerts. We estimate that SSA did not post overpayments totaling over \$110 million for these individuals. (Refer to Tables B-6 and B-8 for the estimated dollar amount and Tables B-4 and B-7 for the estimated number of recipients.)

In total, 182 recipients received about \$897,000 more than they were due in SSI payments. Estimating this to the entire population, we estimate that SSA overpaid 41,980 recipients about \$207 million.

The results of our sample and projections are noted below.

Table B-1 – Population and Sample Size

Description	Number of Beneficiaries
Population Size (Extract from One Segment)	2,883
Sample Size	250

Table B-2 – Number of Overpayments Identified by SSA

Description	Number of Beneficiaries
Sample Results	73
Point Estimate	842
Projection - Lower Limit	712
Projection - Upper Limit	982
Estimate for Entire SSR ²	16,840

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

² Represents the point estimate multiplied by 20 segments.

Table B-3 – SSI Overpayments Resulting from Earnings Alerts Development Delays

Description	Improper Payments Due to Earnings Alerts
Sample Results - Dollars Improperly Paid	\$213,326
Point Estimate - Dollars Improperly Paid	\$2,460,071
Projection - Lower Limit	\$1,860,835
Projection - Upper Limit	\$3,059,306
Estimate for Entire SSR ³	\$49,201,420

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

Table B-4 – Number of Individuals Identified by SSA as Overpaid that Had Additional Overpayments

Description	Number of Beneficiaries
Sample Results	58
Point Estimate	669
Projection - Lower Limit	549
Projection - Upper Limit	801
Estimate for Entire SSR ⁴	13,380

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

Table B-5 – SSI Overpayment Amount Established by SSA for Individuals Who Had Both Overpayments Established by SSA and Improper Payments Identified by OIG

Description	Improper Payments Due to Earnings Alerts
Sample Results - Dollars Improperly Paid	\$206,321
Point Estimate - Dollars Improperly Paid	\$2,379,290
Projection - Lower Limit	\$1,723,108
Projection - Upper Limit	\$3,035,473
Estimate for Entire SSR ⁵	\$47,585,800

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

³ *Id.*

⁴ *Id.*

⁵ *Id.*

Table B-6 – SSI Improper Payments Identified by OIG for Individuals Who Had Both Overpayments Established by SSA and Improper Payments Identified by OIG

Description	Improper Payments Due to Earnings Alerts
Sample Results - Dollars Improperly Paid	\$159,933
Point Estimate - Dollars Improperly Paid	\$1,844,348
Projection - Lower Limit	\$1,257,388
Projection - Upper Limit	\$2,431,308
Estimate for Entire SSR ⁶	\$36,886,960

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

Table B-7 – Number of Improperly Paid SSI Recipients Identified by SSA Who Did Not Have Overpayments Established by SSA

Description	Number of Beneficiaries
Sample Results	51
Point Estimate	588
Projection - Lower Limit	475
Projection - Upper Limit	716
Estimate for Entire SSR ⁷	11,760

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

Table B-8 – SSI Improper Payments Resulting from Earnings Alert Development Delays for Individuals Who Did Not Have Overpayments Established by SSA

Description	Improper Payments Due to Earnings Alerts
Sample Results - Dollars Improperly Paid	\$317,619
Point Estimate - Dollars Improperly Paid	\$3,662,787
Projection - Lower Limit	\$2,360,281
Projection - Upper Limit	\$4,965,293
Estimate for Entire SSR ⁸	\$73,255,740

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

⁶ *Id.*

⁷ *Id.*

⁸ *Id.*

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: November 29, 2012

Refer To: S1J-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "The Social Security Administration's Development of Earnings Alerts for Supplemental Security Income Recipients" (A-02-11-11185)—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 Amy Thompson at (410) 966-0569.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“THE SOCIAL SECURITY ADMINISTRATION’S DEVELOPMENT OF EARNINGS
ALERTS FOR SUPPLEMENTAL SECURITY INCOME RECIPIENTS” (A-02-11-11185)**

Recommendation 1

Remind staff to develop alerts by taking all appropriate actions to post earnings to the SSR accurately and transmit earnings data to the SSR when recorded in MSSICS.

Response

We agree.

Recommendation 2

Evaluate whether it is cost-effective to establish earnings alerts more likely to lead to payment changes. More specifically, SSA should consider using focused criteria to generate earnings alerts that take into account other factors that determine the SSI payment amount along with the amount of earnings identified.

Response

We agree.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Tim Nee, Director, New York Audit Division, (212) 264-5295

Christine Hauss, Audit Manager, (212) 264-5826

Acknowledgments

In addition to those named above:

James Kim, Senior Analyst

Alla Resman, IT Specialist

Rajula Chandran, Senior IT Specialist

Vincent Huang, Program Analyst

Brennan Kraje, Statistician

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-02-11-11185.

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