



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Old-Age, Survivors and Disability  
Insurance Overpayments Pending  
Collection

*A-02-15-35001 | September 2015*

**OIG** Office of the Inspector General  
SOCIAL SECURITY ADMINISTRATION

**MEMORANDUM**

**Date:** September 22, 2015

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Old-Age, Survivors and Disability Insurance Overpayments Pending Collection  
(A-02-15-35001)

The attached final report presents the results of the Office of Audit's review. The objective was to assess the Social Security Administration's efforts to recover Old-Age, Survivors and Disability Insurance overpayments that had been outstanding for 12 months or longer.

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

# Old-Age, Survivors and Disability Insurance Overpayments Pending Collection A-02-15-35001



September 2015

Office of Audit Report Summary

## Objective

To assess the Social Security Administration's (SSA) efforts to recover Old-Age, Survivors and Disability Insurance (OASDI) overpayments that had been outstanding for 12 months or longer.

## Background

An overpayment is the total amount an individual received for any period that exceeded the total amount the individual should have been paid for that period. With a few exceptions, overpaid individuals are responsible for repaying the overpayments. SSA uses different methods to recover overpayments, such as benefit adjustment, the Treasury Offset Program (TOP), and Administrative Wage Garnishment (AWG).

We identified 4,869 overpayments with combined overpayments of more than \$50.3 million that SSA established in Fiscal Years 2008 through 2012 and, as of November 2013, had not recovered. Each individual overpayment balance was \$1,000 or more. We reviewed 150 of the overpayments.

## Findings

While SSA had made some progress in recovering the long-term pending overpayments we reviewed, it could improve the effectiveness of its recovery efforts. In some cases, SSA did not recover any part of the overpayments due. In other cases, the Agency recovered part of the overpayments but did not continue recovering the remaining balances. The longer these overpayments remain unresolved, the less likely the Agency will be able to recover them.

Unresolved protests of the overpayments we reviewed were often the reason the Agency had not recovered the debts owed. An overpayment with a pending protest or waiver request suspends further collection activity until it is resolved. While SSA's system generates alerts of the pending protest workload, the Agency does not have controls in place to ensure they are addressed timely, which allows protests to remain unresolved and overpayments unrecovered.

Based on our samples, we estimated that SSA has not resolved over \$172 million in overpayments.

## Recommendations

1. Take appropriate action to resolve the 46 overpayments identified in this review.
2. Evaluate the results of its resolution of the 46 overpayments and determine whether it should review the remaining overpayment balances that had been outstanding for 12 months or longer.
3. Establish controls to ensure overpayment protests are resolved more timely. The controls should ensure staff and management finalize protests that are not resolved after multiple alerts that the workload is pending.

SSA agreed with our recommendations.

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## ABBREVIATIONS

AWG	Administrative Wage Garnishment
C.F.R.	Code of Federal Regulations
ECO	External Collection Operation
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration
SSI	Supplemental Security Income
TOP	Treasury Offset Program
U.S.C.	United States Code

## OBJECTIVE

Our objective was to assess the Social Security Administration's (SSA) efforts to recover Old-Age, Survivors and Disability Insurance (OASDI) overpayments that had been outstanding for 12 months or longer.

## BACKGROUND

SSA attempts to pay the right person the right amount at the right time. However, given the size and complexity of the programs the Agency administers, some payment errors do occur. An overpayment is the total amount an individual received for any period that exceeded the total amount the individual should have been paid for that period. Overpayments are debts owed the Government.<sup>1</sup> With a few exceptions, overpaid individuals are responsible for repaying the overpayments.<sup>2</sup>

When SSA determines an overpayment has occurred, it must notify all individuals from whom it will seek recovery of the overpayment. The notice explains the individual has the right to protest the determination or request a waiver of the overpayment. If the individual does not agree with the fact or the amount of the overpayment, he/she may exercise the right to request reconsideration of the overpayment, waiver of the overpayment, or both.<sup>3</sup> If the individual's appeal<sup>4</sup> supports a reversal of the initial finding of overpayment, the Agency will make the necessary change to the individual's record. If SSA's overpayment decision is not reversed or a waiver is not granted, the Agency must pursue recovery of the overpayment.<sup>5</sup>

SSA requests a full and immediate refund of overpayments. If a full refund is not possible, SSA can recover an overpayment through several methods.

- If an overpaid individual is receiving Social Security benefits, SSA can withhold all or part of his/her monthly benefit payment to repay the overpayment.

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<sup>1</sup> SSA, Program Operations Manual System (POMS), GN 02201.001 A. (July 20, 2010).

<sup>2</sup> According to POMS, GN 02250.001, *Waiver- Title II, XVIII*, individuals may not be responsible for repaying an overpayment when the person was without fault in causing the overpayment, and recovery would either defeat the purpose of the *Social Security Act* or be against equity and good conscience. Additionally, according to POMS, GN 02215.235, *Suspension or Termination of Collection Action for Title II and Title XVI Debts*, SSA may discontinue collection efforts if the debtor cannot repay, the debtor cannot be located, or the costs of collection are expected to exceed the amount recoverable. However, the debt is still subject to future collection and may be recovered if the debtor returns to pay status or through external collection sources.

<sup>3</sup> When a beneficiary requests a waiver in conjunction with a reconsideration of the overpayment, SSA will make the waiver determination after the determination on the reconsideration.

<sup>4</sup> There are potentially four levels of appeal: (1) Reconsideration; (2) Hearing by an Administrative Law Judge; (3) Review by the Appeals Council; and (4) Federal Court review.

<sup>5</sup> Per POMS, GN 02215.235 C.4., SSA has the authority to discontinue collection efforts if the overpayment is not over \$100,000 and was not obtained by fraud.

- If an overpaid individual receives a payment from another SSA-administered program, SSA can recover the overpayment by decreasing the amount payable from the other program through cross-program recovery.<sup>6</sup>
- If an overpaid individual is not due a benefit, SSA may be able to recover the overpayment by adjusting the benefit payment of an individual who is receiving benefits on the same record of the overpaid person at the time of the overpayment.<sup>7</sup> This is referred to as contingent liability.<sup>8</sup>
- When benefit withholding is not possible and an overpaid person is unable to make a full refund in a single payment, he/she can enter into an installment agreement with SSA, refunding the overpayment through monthly installment payments.<sup>9</sup>
- If certain criteria are met, SSA can recover delinquent overpayments through the Treasury Offset Program (TOP), which offsets any Federal or State payment due an overpaid individual and/or Administrative Wage Garnishment (AWG), which garnishes a delinquent SSA debtor's wages. SSA may also report delinquent<sup>10</sup> OASDI debts to credit bureaus.<sup>11</sup> The Agency has an automated External Collection Operation (ECO) system that selects debtors who are eligible for TOP, AWG, and/or credit bureau reporting. SSA can use all three of these methods on the same case, if appropriate. SSA does not refer overpayments in protest status or pending a waiver decision for TOP and/or AWG.

An overpayment is eligible for recovery when it, or the individual who owes it, meets the criteria described in the preceding bullets. If the overpayment or debtor does not meet the criteria described above, SSA does not have any means of recovering the overpayment. However, an unrecoverable overpayment may become recoverable should circumstances change. For example, a debtor may become entitled to benefits after a period of not receiving them. Once a debtor becomes eligible for benefits again, SSA could propose collecting the overpayment through benefit adjustments.

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<sup>6</sup> SSA, POMS, GN 02210.008 (April 25, 2013).

<sup>7</sup> SSA, POMS, GN 02210.015 (February 13, 2012).

<sup>8</sup> The contingently liable individual has the right to request that recovery of the overpayment from his/her benefits be waived.

<sup>9</sup> When a beneficiary makes, but fails to honor, an installment agreement, SSA uses an automated system to generate a series of follow-up notices to the beneficiary.

<sup>10</sup> An OASDI debt is delinquent when no voluntary payment is made 30 days after the latest of the following: the date the debt was established on the ROAR system; or the date of the last voluntary payment; or the date of an installment or periodic payment arrangement (if no payment is received); or the date of an affirmation decision on a reconsideration request; or the date of a denial decision on a request for waiver.

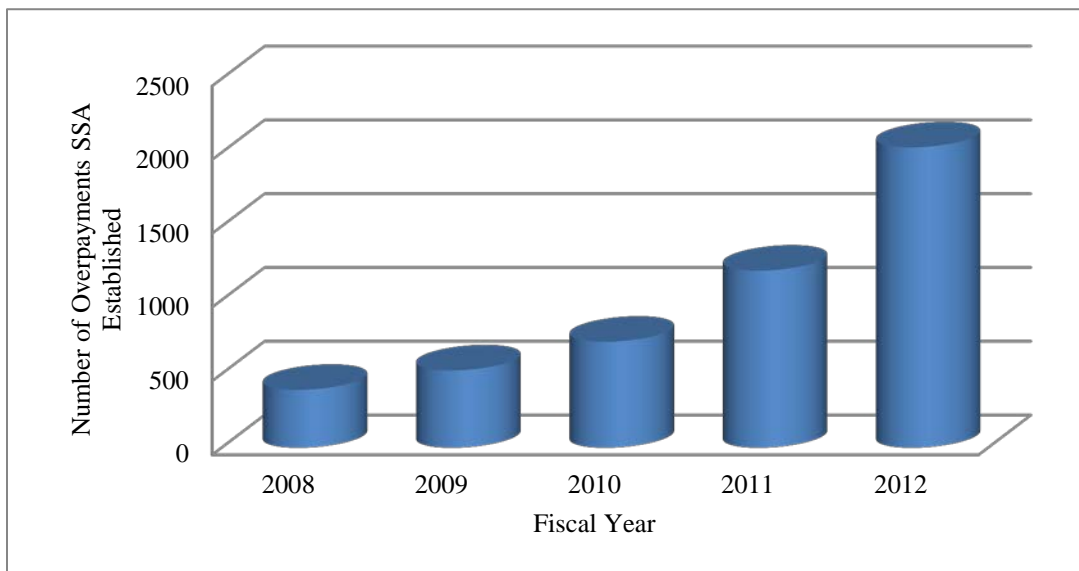
<sup>11</sup> This method contributes to voluntary repayment to SSA.

SSA uses the Recovery of Overpayments, Accounting and Reporting (ROAR) system to control the recovery and collection of OASDI overpayments. ROAR is a section of the Master Beneficiary Record (MBR) that contains information on individuals who are liable for overpayments, overpayment amounts, and the collection status of overpayments. ROAR can record more than one overpayment for a beneficiary.<sup>12</sup>

## Methodology

From 1 segment of the MBR, we identified 4,869 overpayments that SSA established in Fiscal Years (FY)<sup>13</sup> 2008 through 2012. Those overpayments totaled over \$50.3 million and were pending recovery as of November 2013. Each overpayment balance was \$1,000 or more.<sup>14</sup>

**Figure 1: FY SSA Established the Overpayments in Our Population**



We selected three samples for review because we believed overpayments with different characteristics might have required different actions.<sup>15</sup> Some overpayments did not have any ROAR transactions after the overpayment was established. The other overpayments had at least one transaction on the ROAR system, but the transaction did not reduce the overpayment.

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<sup>12</sup> Each overpayment is annotated as an event on ROAR.

<sup>13</sup> FY 2008 began October 1, 2007.

<sup>14</sup> We excluded overpayments for which SSA suspended or terminated the collection activity, including those for beneficiaries whose benefits were terminated because of death, at the time of our data selection. SSA suspended or terminated the collection of some of the overpayments we selected for review after the date we selected them.

<sup>15</sup> As noted in Table B-1 of Appendix B, we reviewed one additional sample, but did not find any significant findings based on our review of the sampled cases. Accordingly, we did not include any reportable condition on it in the report.



A ROAR transaction<sup>16</sup> indicates actions against the overpayment records. A ROAR transaction may lead to the recovery of an overpayment. For example, a ROAR transaction could indicate the Agency withheld part of the monthly benefit from a beneficiary to recover an overpayment. As another example, a ROAR transaction could indicate the Agency denied a beneficiary's request to waive an overpayment.

Specifically, we reviewed

- 50 overpayments that had no transactions in ROAR after the overpayment was established,<sup>17</sup>
- 50 overpayments that had at least 1 transaction in ROAR for beneficiaries who were not receiving benefits as of November 2013, and
- 50 overpayments that had at least 1 transaction in ROAR for beneficiaries who were receiving benefits as of November 2013.

See Appendix A for further information on our scope and methodology.

## RESULTS OF REVIEW

While SSA had made some progress in recovering the OASDI overpayments that were outstanding for 12 months or longer, it could improve the effectiveness of its recovery efforts. In some cases we reviewed, SSA had recovered the entire overpayment or was recovering it at the time of our audit. Additionally, for other cases, SSA had taken all the actions it could to recover the overpayments but was unable to recover them. Conversely, SSA did not recover other overpayments or it recovered part of the overpayments but stopped collection efforts before recovering the entire outstanding balance (see Table 1).<sup>18</sup>

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<sup>16</sup> SSA uses the Debt Management System to establish and control the overpayments on ROAR. The input of Debt Management System screens generates ROAR transactions that affect the overpayment records. In some instances, the Agency's effort to recover an overpayment, such as its attempt to contact a beneficiary by telephone or mail, does not generate a ROAR transaction.

<sup>17</sup> We reviewed a separate sample of these overpayments because we believed SSA had not taken any action on them. However, for some of the overpayments, some collection efforts may have been made, though the efforts were unsuccessful and may not have generated a ROAR transaction.

<sup>18</sup> See Appendix C for a more detailed table with the results of our review. The table in Appendix C includes separate results for the samples we reviewed.

**Table 1: Results of Review**

Results	Total
SSA did not recover any of the overpayment	104
SSA recovered part of overpayment	40
SSA fully recovered overpayment	6
<b>Total</b>	<b>150</b>

In many of the cases we reviewed, SSA had suspended recovery activities because the debtor filed a protest or waiver request. Per policy, SSA will not attempt to recover overpayments that have a pending protest or waiver request.<sup>19</sup> SSA failed to resolve the protest and waiver requests timely, leaving the unrecovered overpayments in limbo. For example, 13 beneficiaries who are receiving benefit payments owed a collective \$207,630. They all filed a protest or waiver request, which suspended SSA's recovery efforts. On average, 41 months had passed since the beneficiaries filed their protests or waiver requests. The requests were still pending as of the date of our review, leaving the overpayments unresolved. Had SSA resolved the protests, and the Agency's determination not reversed the initial overpayment findings, it may have recovered \$207,630 in overpayments by benefit adjustment from the individuals' monthly payments.

The overpayments in the three samples totaled over \$3.3 million.<sup>20</sup> SSA recovered approximately \$360,000. Of the remaining balance, approximately \$827,000 was potentially recoverable depending on SSA's resolution of pending protest and waiver requests (see Figure 2).<sup>21</sup> The approximately \$827,000 balance consisted of overpayments of which SSA

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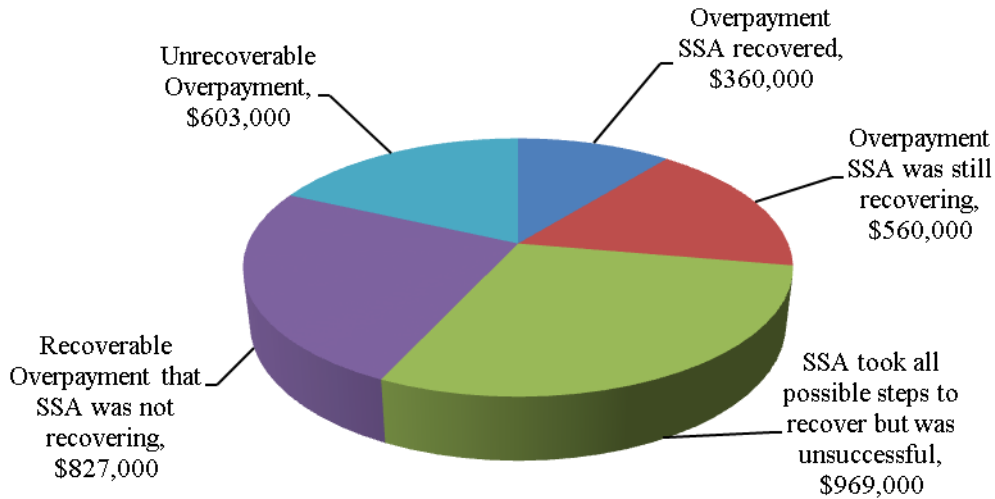
<sup>19</sup> SSA, POMS, GN 02210.006 1 (March 20, 2008).

<sup>20</sup> This represents the initial overpayment amount of the 50 overpayments that had no transaction in ROAR after the overpayment was posted, the 50 overpayments that had at least 1 transaction in ROAR after the overpayment was posted for beneficiaries who were not in current pay status, and the 50 overpayments that had at least 1 transaction in ROAR after the overpayment was posted for beneficiaries who were in current pay status.

<sup>21</sup> This amount was recoverable as of March 2015. The recoverable balance consisted of approximately \$701,000 in overpayments with no recovery activity that was still recoverable and approximately \$126,000 of overpayments SSA partially recovered that had a remaining balance that was still recoverable. The unrecoverable balance was no longer recoverable from the beneficiary in our sample because SSA had waived the overpayment (\$107,145) or transferred the overpayment to another record (\$15,916). SSA also suspended collection efforts on overpayments (\$141,789) because the debtors filed petitions for bankruptcy. If a discharge order accepts a Social Security debt or the bankruptcy proceedings are dismissed, SSA may resume collection efforts. As of March 2015, the Agency had not resumed collection efforts. Therefore, we considered these overpayments unrecoverable. Additionally, SSA stopped referring overpayments (\$50,367) that were delinquent for 10 years or longer to TOP because it was considering additional administrative and legislative changes in this area in April 2014. As of January 2015, the Agency had suspended further referrals of overpayments (\$32,097) incurred by childhood beneficiaries to TOP regardless of the age of the debt. (If SSA resumed referring overpayments delinquent for 10 years or longer or those incurred by childhood beneficiaries, these latter two categories of overpayments would become recoverable.) For the remaining unrecoverable balance of \$255,759, the overpaid individuals were not receiving benefit payments and the overpayments were ineligible for recovery by TOP or AWG. There were also no other contingently liable beneficiaries who were receiving benefits from the same record as the overpaid individual.

did not recover any portion (about \$701,000) and overpayments SSA partially recovered that had outstanding balances (about \$126,000).

**Figure 2: Recovery Status of Sampled Overpayments**



Projecting our sample results to the larger population, we estimate SSA had not resolved over \$172 million in long-term pending overpayments.

## No Recovery of Overpayment

Some of the overpayments could not be recovered because the overpaid individuals were not receiving benefits, and the overpayments were ineligible for recovery by TOP or AWG. There were also no other contingently liable beneficiaries receiving benefits on the same record as the overpaid individual.<sup>22</sup>

The remaining overpayments were potentially recoverable. In some cases, SSA took all the steps it could to recover the overpayments but was unsuccessful. In others, SSA did not take all the steps it could to resolve the overpayments. See Table 2.<sup>23</sup>

<sup>22</sup> We also considered overpayments unrecoverable if SSA waived the overpayment, suspended collection efforts, or transferred the overpayments to a non-entitled overpaid person from whom the Agency was unable to recover the overpayment by any means. A non-entitled overpaid person is a person who is not entitled to Social Security benefits or SSI payments but has incorrectly received payments by improper issuance of a check in his/her capacity for an entitled beneficiary. Additionally, in April 2014, the Agency stopped referring overpayments that were delinquent for 10 years or longer to TOP because it was considering additional administrative and legislative changes in this area. As of January 2015, the Agency had suspended further referrals of overpayments incurred by childhood beneficiaries to TOP regardless of the debt's age. We also considered those overpayments unrecoverable.

<sup>23</sup> See Appendix C for a more detailed table that includes separate results for the three samples we reviewed.

**Table 2: 104 Sample Cases with No Recovery of Overpayment**

	<b>Total</b>
Unrecoverable Overpayment	31
Recoverable - SSA Unsuccessfully Pursued All Available Methods	39
Potentially Recoverable - SSA Did Not Resolve the Overpayments	34
<b>Total Cases with No Recovery</b>	<b>104</b>

For some of the overpayments that were potentially recoverable, SSA first had to resolve pending protests or waiver requests the debtors had filed questioning their responsibility in incurring the overpayment. The pending protest and waiver requests prevented SSA from pursuing recovery of the overpayments. However, if SSA resolves the requests and determines that the debtors were responsible for repaying the overpayments, the Agency may be able to use benefit adjustments or cross-program recoveries as some of the debtors were collecting OASDI or Supplemental Security Income (SSI) payments, or both. Also, SSA may be able to use other available methods to recover additional overpayments it may have collected. See Table 3.<sup>24</sup>

**Table 3: Potential Methods of Recovery for 34 Unresolved Overpayments**

<b>Potential Methods of Recovery</b>	<b>Total</b>
Benefit Adjustment	13
Cross Program Recovery	1
Recovery from Other Contingently Liable Beneficiaries	5
Recovery by TOP and/or AWG	15
<b>Total</b>	<b>34</b>

The Agency did not resolve approximately \$701,000 in overpayments for the 34 cases.

### *Recovery by Benefit Adjustment*

As indicated in Table 3, SSA may have been able to use benefit adjustments in 13 of the cases as the debtors were receiving OASDI benefit payments at the time of our audit. In fact, SSA had suggested to all these beneficiaries that it use benefit adjustment to withhold all or part of their monthly benefit payments to repay their overpayments over time. As is their right, all the beneficiaries requested waivers or reconsiderations of the overpayment. As of March 2015, SSA had not resolved any of the protests.

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<sup>24</sup> Id.

A beneficiary's request to have an overpayment waived or reconsidered is recorded in ROAR. Once SSA inputs a request in ROAR, the system alerts SSA staff of the pending protest every 60 days and resets the alert for another 60 days if the waiver or reconsideration is not resolved. SSA management has access to lists of unresolved protests, including the number of days the protests have been pending. For example, a list from March 2015 shows 3,759 protests pending for over 180 days for all OASDI beneficiaries.<sup>25</sup>

We reviewed the records of the 13 unresolved overpayment protests and could not locate any evidence in SSA's systems that indicated staff developed the beneficiaries' requests for waivers or reconsiderations of the overpayments. Per policy,<sup>26</sup> SSA needs to resolve the protests before it can recover the overpayments through benefit adjustment.

While the overpayments were posted between July 2008 and September 2012, and the protests were filed between July 2010 and November 2012, SSA had not resolved the protests as of March 2015 (see Table 4). Had SSA resolved the protests and determined the overpayments were recoverable, it may have recovered up to \$207,630 in overpayments by benefit adjustment from the individuals' monthly payments.

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<sup>25</sup> We obtained the list from the New York Debt Management Release 2 application, which was developed to help SSA staff manage and process the overpayment workload.

<sup>26</sup> SSA, POMS, GN 02210.006 1 (March 20, 2008).

**Table 4: Individuals Whose Overpayments May Be Recovered by Benefit Adjustment**

Date Overpayment Was Posted	Date Protest Was Posted <sup>27</sup>	Months Since Protest Was Posted <sup>28</sup>	Individuals' Monthly OASDI Payment <sup>29</sup>	Uncollected Overpayment Balance
July 2008	November 2011 <sup>30</sup>	40	\$1,389	\$71,649
July 2010	July 2010	56	355	7,938
September 2010	July 2011	42	780	6,064
November 2010	July 2011	42	944	25,944
November 2010	February 2011	49	1,715	4,408
January 2011	February 2011	49	674	7,322
July 2011	August 2011	43	962	23,136
July 2011	August 2011	43	2,112	27,518
August 2011	November 2011	40	2,371	4,595
November 2011	November 2011	40	1,373	7,870
June 2012	June 2012	33	982	5,611
August 2012	November 2012	28	770	8,574
September 2012	November 2012	28	770	7,002
<b>Total</b>				<b>\$207,630</b>

The longer these overpayments remain unresolved, the less likely it is SSA will be able to recover them. SSA policy<sup>31</sup> prohibits using benefit adjustment to recover an overpayment more than 10 years after a debt accrues when the means<sup>32</sup> to recover by benefit withholding was available, but no recovery efforts were initiated.

We referred the 13 cases to SSA in March 2015. In April 2015, SSA responded that it would resolve the protests.

<sup>27</sup> Four of the 13 individuals had multiple unresolved protests on their overpayments. This column indicates the earliest unresolved protest.

<sup>28</sup> This column indicates the number of months a protest remained unresolved as of March 2015.

<sup>29</sup> This column indicates the monthly benefit received by the beneficiary as of March 2015.

<sup>30</sup> The overpaid individual was under investigation for fraud from January 2006 to April 2010 by OIG. The Agency did not recover the overpayment during the investigation. The individual requested reconsideration on the overpayment in March 2011, which the Agency denied in September 2011. The individual then filed a hearing request on the overpayment in November 2011.

<sup>31</sup> SSA, POMS, GN 02210.003 (August 16, 2010).

<sup>32</sup> The means to collect by benefit withholding applies to the debtor or to any other person receiving benefits on the record on which the overpayment occurred.

## *Cross-program Recovery*

One overpaid individual who was not receiving an OASDI benefit was receiving an SSI payment. SSA did not resolve a request for reconsideration the beneficiary filed in November 2010. The Agency does not recover any OASDI overpayment from an SSI monthly payment when an individual has an unresolved waiver or reconsideration request on the overpayment. Had SSA resolved the protest and determined the overpayment was recoverable, SSA could have recovered the \$16,866 overpayment from her SSI payment. We referred this case to SSA in March 2015. In April 2015, the Agency responded that the individual had not submitted any documentation to support the reconsideration.<sup>33</sup>

## *Recovery from Other Contingently Liable Beneficiaries*

SSA may have attempted to recover overpayments from contingently liable beneficiaries who were receiving benefit payments on the same record as the overpaid individuals but did not do so in five cases,<sup>34</sup> losing the opportunity to potentially recover \$81,498. For example, in one case, a beneficiary had an \$8,397 overpayment. At the time, the beneficiary's spouse was collecting benefit payments on the same record. The spouse continued receiving benefits without adjustment while SSA unsuccessfully pursued recovery of the overpayment from the beneficiary, who was no longer in payment status.

The five debtors did not file protests or waiver requests, so SSA was able to pursue recovery of these overpayments. We referred the five cases to SSA in March 2015. In April 2015, the Agency responded that it would take the necessary action to recover the overpayments.

## *Recovery by TOP and/or AWG*

Although TOP<sup>35</sup> and AWG<sup>36</sup> can be effective tools for recovering outstanding debt, SSA did not pursue them for 15 eligible debtors. As a result, SSA did not resolve \$395,054 in overpayments. SSA did not pursue TOP and AWG for the following reasons.

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<sup>33</sup> As of July 2015, SSA had not resolved the reconsideration request.

<sup>34</sup> The individuals were not receiving any SSA benefits.

<sup>35</sup> Debtors must meet certain criteria to be eligible for TOP. For example, the debtor's overpayment must have been established after the debtor attained age 18 and not have been referred to the Department of Justice. Also, the debtor must be in terminated status on the MBR and not deceased.

<sup>36</sup> Debtors must meet all TOP criteria to be eligible for AWG, and the total debt must be at least \$200. Also, the debtor cannot be entitled to Medicare or be an active participant in SSA's Ticket to Work program, and the debtor must be regularly employed by a State or local government or private employer.

- SSA did not resolve protests of the overpayments filed by three debtors.<sup>37</sup> SSA does not refer overpayments in protest status for TOP and/or AWG. Two of the three filed hearing requests on their overpayments, and both received unfavorable decisions. SSA staff did not record the outcome of their hearings in ROAR. Had it done so, it would have removed these cases from a protest status, and, if there was no other condition on the record that made the debt ineligible for selection by the ECO system, referred these cases for TOP and/or AWG. We referred the three cases to SSA in March 2015. In April 2015, the Agency indicated it would take the necessary action to resolve the protests.
- SSA did not update the status of 10 cases in ROAR to indicate it terminated its internal collection effort.<sup>38</sup> Had it updated the statuses, and there was no other condition on the record that made the debt ineligible for selection by the ECO system, the system should have selected the debts for recovery.<sup>39</sup>
- Finally, SSA manually stopped the ECO system from referring two debts for TOP, even though the debts were eligible for ECO recovery tools. In April 2015, SSA indicated it manually stopped referring one case for TOP because the overpaid individual appeared to be in prison, and there were no earnings on the individual's record. The Agency manually stopped referring the other case because the debt in our review, which was established in 2010, was linked to a prior unrelated debt that was delinquent for longer than 10 years.<sup>40</sup>

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<sup>37</sup> SSA does not refer overpayments in protest status for TOP and/or AWG.

<sup>38</sup> SSA may terminate internal collection action when any one or more of the following conditions exist - the debtor cannot or will not repay the debt, the debtor cannot be located after a diligent search, collection efforts are too expensive, or the debt is at least two years delinquent.

<sup>39</sup> In 5 of the 10 cases that were not referred to ECO because the ROAR status was not updated, there were no other conditions that would prevent the debts from being referred to ECO. In the remaining five cases, there were other debts on record that did not meet the criteria for referral to ECO. If an individual has multiple debts owed to SSA, all of the debts have to be eligible for referral to ECO before any are referred. Therefore, even if SSA updated the status of the debt in our review, the case still would not have been referred. Our September 2008 audit, *Status of Title II Installment Agreements (A-02-08-18074)* recommended that the Agency refer overpayments to its ECO system on a debt, rather than a debtor basis. In response to our report, the Agency agreed to evaluate a system change that would enable such referral.

<sup>40</sup> In April 2014, SSA stopped referring overpayments that were delinquent for 10 years or longer to TOP because it was considering additional administrative and legislative changes in this area. The Agency manually stopped the ECO system from referring all debts on the record so the debt that was delinquent for more than 10 years would not be recovered by TOP.



## Partial Recovery of Overpayment

In some of our sample cases, SSA recovered part of the overpayments and was still recovering the remaining overpayment balances. In other cases, SSA recovered part of the overpayments and stopped its collection efforts before fully recovering the overpayments. See Table 5.<sup>41</sup>

**Table 5: 40 Sample Cases with Partial Recovery of Overpayment**

	Total
Number of Cases SSA Was Recovering	26
Number of Cases SSA Was Not Recovering	14
<b>Total Number of Cases with Partial Recovery of Overpayment</b>	<b>40</b>

Of the 14 overpayments SSA was not recovering, it may have continued pursuing recovery of 12 overpayments totaling \$126,294.<sup>42</sup>

- SSA may have continued pursuing recovery of the remaining overpayments from four beneficiaries by benefit adjustment. The Agency did not do so in three cases because it did not resolve protests filed by the beneficiaries. As of March 2015, the protests had been pending from 9 to 29 months. In the other case, SSA staff entered the necessary information in ROAR, but the system did not process the case, which prevented adjustment of the beneficiary's benefits. Therefore, the Agency did not resolve \$12,079 in overpayment balances potentially owed by the four beneficiaries. We referred these cases to SSA in March 2015. In April 2015, the Agency responded that it would take the necessary action to recover the remaining overpayment in these cases.
- SSA may have attempted to recover two beneficiaries' remaining overpayments from other contingently liable beneficiaries who were receiving benefit payments from the same record. However, SSA staff did not do so and therefore SSA lost the opportunity to recover \$10,655. We referred the cases to SSA in March 2015. The Agency responded it would take action to propose adjusting the contingently liable beneficiary's benefit in one case. In the other case, the Agency responded it did not process an alert, which would have led to attempted recovery from the contingently liable beneficiary. Upon further review, the Agency determined the overpayment was incorrect and took action to delete it from the individual's record.

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<sup>41</sup> See Appendix C for a more detailed table with the results of our review. Appendix C includes separate results for the three samples we reviewed.

<sup>42</sup> SSA was unable to continue pursuing the collection of one overpayment because the debtor was not receiving benefits, there was no contingently liable beneficiary on records, and the overpayment was not eligible for TOP and/or AWG.

- SSA may have recovered six individuals' remaining overpayment balances through TOP and/or AWG if the debts were eligible. All six individuals had significant earnings after SSA posted their overpayments.<sup>43</sup> However, the Agency could not refer these cases for TOP and/or AWG. As a result, it did not resolve \$103,560 in overpayments. In three of the six cases, SSA did not resolve the protests on the beneficiaries' remaining overpayment balances making the cases ineligible for TOP and/or AWG.<sup>44</sup> In one other case, the Agency did not update the debt's status to indicate in its systems that it terminated its collection efforts. In the two remaining cases, the Agency updated the debts' status to indicate it terminated collection efforts. While SSA policy permits the use of TOP and/or AWG after it terminates its internal collection efforts,<sup>45</sup> it did not continue pursuing such recovery in these cases.

## CONCLUSIONS

While SSA had recovered some of the long-term pending overpayments we reviewed, it could improve the effectiveness of its recovery efforts. In some cases, SSA did not recover any portion of the overpayments. In other cases, the Agency recovered part of the overpayments but did not continue recovering the remaining balances. The longer these overpayments remain unresolved, the less likely the Agency will be able to recover them.

Unresolved protests of the overpayments we reviewed were often the reason the Agency had not resolved the debts owed. An overpayment with a pending protest or waiver request suspends further collection activity until it is resolved. While SSA's ROAR system generates alerts of the pending protest workload every 60 days, the Agency does not have controls in place to ensure they are addressed timely, which allows protests to remain unresolved.

Based on our random samples, we estimated that SSA did not resolve \$172 million in overpayments.

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<sup>43</sup> SSA recovered part of the overpayment balance through TOP and/or AWG from two of the six individuals. However, the Agency did not continue recovering the remaining balances by the same method.

<sup>44</sup> When a beneficiary who is not in current pay status protests an overpayment, SSA must suspend efforts to collect the overpayment by TOP and/or AWG until it resolves the protest.

<sup>45</sup> SSA, POMS, GN 022115.235 B.1. (May 1, 2013).

## RECOMMENDATIONS

Accordingly, we recommend SSA:

1. Take appropriate action to resolve the 46 overpayments identified in this review.
2. Evaluate the results of its resolution of the 46 overpayments and determine whether it should review the remaining overpayment balances that had been outstanding for 12 months or longer.
3. Establish controls that ensure overpayment protests are resolved more timely. The controls should ensure staff and management finalize protests that are not resolved after multiple alerts that the workload is pending.

## AGENCY COMMENTS

SSA agreed with our recommendations. The Agency's comments are included in Appendix D.



Steven L Schaeffer  
Assistant Inspector General for Audit

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed Federal law and regulation as well as Social Security Administration (SSA) policies and procedures regarding the recovery of Old-Age, Survivors and Disability Insurance (OASDI) overpayments.
- Reviewed prior Office of the Inspector General reports on recovery of OASDI overpayments.
- Identified 4,869 overpayments from 1 segment of the Master Beneficiary Record (MBR) that SSA established in Fiscal Years 2008 through 2012 and had not recovered as of November 2013. Each overpayment balance was \$1,000 or more.

We separated this population into four groups for review because we believed the overpayments had different characteristics and required different actions.

We determined that 968 of the overpayments had no Recovery of Overpayments, Accounting and Reporting (ROAR) transactions<sup>1</sup> after the overpayment was established. We reviewed a separate sample of these overpayments because we believed SSA had not taken action on these overpayments. However, for some of the overpayments some collection efforts had been made, though the efforts were unsuccessful. Of the 968 overpayments, we reviewed a sample of 50 overpayments above the median of \$4,533 because we believe the Agency would take action to resolve overpayments with higher balances.

The remaining overpayments had at least one transaction in the ROAR system, but the transaction did not reduce the overpayment. There were 1,546 overpayments for beneficiaries who were not receiving OASDI benefits as of November 2013. We reviewed a sample of 50 of the overpayments above the median of \$8,634. There were 325 overpayments for beneficiaries who were receiving OASDI benefits as of November 2013. We reviewed a sample of 50 of the overpayments above the median of \$3,785.

The remaining 2,030 overpayments had a status<sup>2</sup> in the ROAR system of ongoing benefit adjustment in progress. The overpayment balance had not changed as of November 2013, more than 1 year after it was first established. The overpaid individuals had multiple overpayments, one of which was being recovered through ongoing benefit adjustment. We reviewed a sample of 50 of these overpayments<sup>3</sup> to determine why the overpayment balances had not changed. We

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<sup>1</sup> SSA uses the Debt Management System to establish and control the overpayments in ROAR. The input of Debt Management System screens generates ROAR transactions that affect the overpayment records. In some instances, the Agency's effort to recover an overpayment, such as its attempt to contact a beneficiary by telephone or mail, does not generate a ROAR transaction.

<sup>2</sup> A ROAR status indicates the status on the recovery of an overpayment.

<sup>3</sup> All 50 beneficiaries were receiving OASDI benefits when we began our review.

found that SSA had taken action to resolve these overpayments. The overpayment balance did not change because the Agency was recovering another overpayment from the same beneficiary. The Agency will not begin recovering the overpayments in our sample until it collects all of the other overpayments. As we did not find any significant findings during our work with this sample, we did not include any reportable condition on it in the report.

For each sampled case, we reviewed information from the following SSA systems to assess the Agency's overpayment recovery efforts.

- MBR and Payment History Update System queries
- ROAR status, transaction, and diary codes
- The Collection Query section of the MBR
- Debt Management System Remarks screens
- Debt Management System Recovery and Collection of Overpayment Process Offline queries
- Notices from the Online Notice Retrieval System
- Claims File Records Management System
- Paperless System

The principal entities reviewed were regional and field offices under the Office of the Deputy Commissioner for Operations. We conducted our review in New York, New York, from October 2014 through March 2015.

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 tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

From 1 segment of the Social Security Administration’s (SSA) Master Beneficiary Record (MBR), we identified 4,869 overpayments that SSA established in Fiscal Years 2008 through 2012 and had not recovered any portion of as of November 2013. Each overpayment balance was \$1,000 or more. We separated this population into four groups for review because we believed the overpayments had different characteristics and required different actions.

**Table B–1: Population and Sample Size**

Sample	Characteristics of Overpayments	Population	Range	Median	Sampled Population <sup>1</sup>
1	No Recovery of Overpayments, Accounting and Reporting (ROAR) transaction after the overpayment was posted	968	\$1,000 - \$740,637	\$4,533	484
2	At least one transaction in ROAR for beneficiaries who were not receiving benefits as of November 2013	1,546	\$1,000 - \$208,107	\$8,634	773
3	At least one transaction in ROAR for beneficiaries who were receiving benefits as of November 2013	325	\$1,002 - \$84,718	\$3,785	163
4	SSA was recovering another overpayment from the same beneficiary and it would not begin to recover the overpayments in our sample until it completed collecting the other overpayments	2,030	\$1,002 - \$78,903	\$2,920	2,030
<b>Total</b>		<b>4,869</b>			<b>3,450</b>

We had no significant findings based on our review of cases in Sample 4, so we did not include any reportable condition on it in the report. We reviewed 50 cases from each of the 3 remaining populations and determined that SSA could improve the effectiveness of its collection efforts.

In some cases, SSA did not pursue all methods available to recover the overpayments. In other cases, the Agency recovered part of the overpayments, but did not continue to recover the remaining balances. Specifically, as noted in Table 2, we concluded that 34 of the overpayments we reviewed had no recovery activity but were still recoverable. (See Table C–2 in Appendix C for the results of the three samples we reviewed.) Additionally, we concluded that SSA recovered part of 14 overpayments and stopped its collection efforts before it fully recovered them. (See Table C–4 in Appendix C for the separate results of the three samples we reviewed.)

<sup>1</sup> We selected Samples 1, 2, and 3 from the cases in the population with overpayments above the median overpayment amount.

As we noted on page 12 of this report, the Agency may have continued pursuing recovery of 12 of these 14 overpayments.

The following table provides the details of our sample results.

**Table B–2: Overall Sample Results**

Sample Results	Sample 1	Sample 2	Sample 3	Total
Cases with Recoverable Overpayments for Which SSA Did Not Recover Any Portion	12	9	13	34
Cases for Which SSA Partially Recovered the Overpayment but Did Not Recover the Remaining Balance that Are Still Recoverable	5	4	3	12
Total number of error cases	17	13	16	46
<b>Total Overpayments</b>	<b>\$256,214</b>	<b>\$353,315</b>	<b>\$217,813</b>	<b>\$827,342</b>

The following table provides the details of our sample estimates. The characteristics found in one 5-percent segment of the MBR are considered representative of any other segments in the MBR. Therefore, we estimated the number of beneficiaries overpaid and the amount of overpayments that occurred in the entire MBR population by multiplying the number and amount of overpayments found in our review by 20.

**Table B–3: Sample Estimates**

Results for One Segment of the MBR of the Sampled Population	Number of Beneficiaries	Overpayment Balance
Total Sample Results	46	\$827,342
Total Point Estimate	417	\$8,648,116
Total Projection – Lower Limit	324	\$5,675,320
Total Projection – Upper Limit	511	\$11,620,912
<b>All Segments of the MBR</b>		
<b>Total</b>	<b>8,340</b>	<b>\$172,962,320</b>

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



## Appendix C – DETAILS OF SAMPLE RESULTS

The tables in this section are similar to Table 1, Table 2, Table 3, and Table 5 in the report. The tables in this section include the separate results of the three samples we reviewed.

**Table C–1: Results of Review**

Results	Sample 1 - 50 Cases with No ROAR Transaction After Overpayment Was Established	Sample 2 - 50 Cases with ROAR Transaction for Beneficiaries That Were Not In Current Pay	Sample 3 - 50 Cases with ROAR Transaction for Beneficiaries That Were In Current Pay	Total
SSA Did Not Recover Any of the Overpayment	39	35	30	104
SSA Recovered Part of Overpayment	10	13	17	40
SSA Fully Recovered Overpayment	1	2	3	6
<b>Total</b>	<b>50</b>	<b>50</b>	<b>50</b>	<b>150</b>

**Table C–2: 104 Sample Cases with No Recovery of Overpayment**

	Sample 1	Sample 2	Sample 3	Total
Unrecoverable Overpayment	12	9	10	31
Recoverable - SSA Unsuccessfully Pursued All Available Methods	15	17	7	39
Potentially Recoverable - SSA Did Not Resolve the Overpayments	12	9	13	34
<b>Total Cases With No Recovery</b>	<b>39</b>	<b>35</b>	<b>30</b>	<b>104</b>

**Table C–3: Potential Methods of Recovery for 34 Unresolved Overpayments**

Potential Methods of Recovery	Sample 1	Sample 2	Sample 3	Total
Benefit Adjustment	0	0	13	13
Cross Program Recovery	0	1	0	1
Recovery from Other Contingently Liable Beneficiaries	3	2	0	5
Recovery by TOP and/or AWG	9	6	0	15
<b>Total Recoverable - SSA Did Not Pursue All Available Methods</b>	<b>12</b>	<b>9</b>	<b>13</b>	<b>34</b>

**Table C-4: 40 Sample Cases with Partial Recovery of Overpayment**

	<b>Sample 1</b>	<b>Sample 2</b>	<b>Sample 3</b>	<b>Total</b>
Number of Cases SSA Was Recovering	4	8	14	26
Number of Cases SSA Was Not Recovering	6	5	3	14
<b>Total Number of Cases with Partial Recovery of Overpayment</b>	<b>10</b>	<b>13</b>	<b>17</b>	<b>40</b>

## Appendix D– AGENCY COMMENTS

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## SOCIAL SECURITY

### MEMORANDUM

**Date:** August 17, 2015 **Refer To:** SIJ-3

**To:** Patrick P. O’Carroll, Jr.  
Inspector General

**From:** Frank Cristaudo /s/  
Executive Counselor to the Commissioner

**Subject:** Office of the Inspector General Draft Report, “Old-Age, Survivors and Disability Insurance Overpayments Pending Collection” (A-02-15-35001)-- 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 Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“OLD-AGE, SURVIVORS AND DISABILITY INSURANCE OVERPAYMENTS  
PENDING COLLECTION” (A-02-15-35001)**

**General Comments**

We take seriously our responsibility to recover overpayments in our programs. However, because of existing resource limitations and the need to prioritize workloads, we may not process these actions when received. To mitigate harm to our customers and to ensure that we provide an adequate and complete response to overpayment inquiries, we stop collection efforts until we are able to provide the information or take the action the customer has requested. Our strategy for improving our debt collection program is to focus on the techniques that provide direct collections from revenue sources or that we can easily integrate into existing systems. In keeping this strategy, we have worked steadily to build the strong debt collection program we now employ, including implementation of legislative debt recovery authorities; e.g., the Debt Collection Improvement Act. In fiscal year 2014, we collected \$3.3 billion through a combination of all debt collection tools. We are committed to continuing to strengthen the controls surrounding recovery of our program debt and; therefore, are seeking resources to enhance our overpayments reporting and collections through an information technology Overpayment Redesign Project.

**Recommendation 1**

Take appropriate action to resolve the 46 overpayments identified in this review.

**Response**

We agree. We will review and take appropriate action on the 46 overpayments as our policies deem.

**Recommendation 2**

Evaluate the results of its resolution of the 46 overpayments and determine whether it should review the remaining overpayments balances that had been outstanding for 12 months or longer.

**Response**

We agree. We will evaluate our resolution actions for the 46 overpayments and, if resources permit, we will determine whether to review the remaining overpayment balances that have been pending for 12 months or longer.

### **Recommendation 3**

Establish controls that ensure overpayments protests are resolved more timely. The controls should ensure staff and management finalize protests that are not resolved after multiple alerts that the workload is pending.

### **Response**

We agree. We will explore our processes to ensure that protests are resolved more timely.

## Appendix E – MAJOR CONTRIBUTORS

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Tim Nee, Director, New York Audit Division

Christine Hauss, Audit Manager

Vincent Huang, Program Analyst

Brennan Kraje, Statistician

Andrew Hanks, Acting Statistician

Kenneth Bennett, Audit Data Specialist

Jan Kowalewski, IT Specialist

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