

OIG

Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Accuracy of Critical Payment System  
Payments

*A-02-17-34020 | April 2017*

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

**MEMORANDUM**

**Date:** April 24, 2017

**Refer To:**

**To:** The Commissioner

**From:** Acting Inspector General

**Subject:** Accuracy of Critical Payment System Payments (A-02-17-34020)

The attached final report presents the results of the Office of Audit's review. Our objective was to determine whether the Social Security Administration accurately processed Critical Payment System payments.

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



Gale Stallworth Stone

Attachment

# Accuracy of Critical Payment System Payments

## A-02-17-34020



April 2017

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) accurately processed Critical Payment System (CPS) payments.

### Background

CPS issues Old-Age, Survivors and Disability Insurance payments to beneficiaries in critical cases and special situations when no other system is sending payments, additional benefits are due, or beneficiaries report they did not receive a monthly benefit. Special situations include dire need, court orders, legislative mandates, and preliminary and expedited payments.

CPS requires that two SSA employees establish a CPS record and issue a payment. One employee initiates the payment and places it in a pending status. A second employee with an approver security role approves the pending transaction. This action notifies program service center staff to review the payment and adjust the beneficiary's record appropriately.

We reviewed a random sample of 250 CPS payments from a population of 7,735 from 1 segment of the Payment History Update System made in Calendar Year 2014.

### Findings

SSA staff did not always accurately process CPS payments. Of the 250 CPS payments reviewed, SSA incorrectly processed 116. Of these 116, 56 resulted in \$87,800 in improper payments. Estimating our results to the population, SSA did not accurately process 71,780 CPS payments, and 34,660 of these payments resulted in over \$54 million in improper payments.

Payment processing errors included field office staff issuing incorrect payment amounts and program service center staff incorrectly adjusting beneficiaries' records. For some payments, both field office and program service center staffs made errors.

Additionally, some of the employees who authorized CPS payments held lower grades than those who initiated the payments, which CPS policy allows. According to Single Payment System policy, post-entitlement technical experts and/or managers are authorized to approve Single Payment System payments that require approvals.

### Recommendations

We recommend that SSA:

1. Review the 116 CPS payments we determined were not accurately processed to ensure all required steps are completed and any payment errors are corrected.
2. Based on the results of the review of the 116 erroneous cases, determine whether additional payments in the CPS population should be reviewed to ensure they were accurately processed.
3. Remind staff who process CPS payments to use appropriate policy to reduce the CPS processing errors we identified.
4. Determine whether CPS policy should be consistent with Single Payment System policy by identifying the positions authorized to approve the release of CPS payments.

SSA agreed with our recommendations.

# TABLE OF CONTENTS

Objective .....	1
Background .....	1
Results of Review .....	1
Field Office Staff .....	3
CPS Payment Calculations .....	3
Stop Payments .....	3
Tax Refund Offset .....	4
Immediate Payment Documentation .....	4
Replacement Checks on PHUS .....	4
Office of the Inspector General Fraud Referrals .....	5
PSC Staff .....	5
Manual Adjustments .....	5
Returned Check .....	6
Due Process .....	6
Non-entitled Persons Overpayments .....	6
Partial Recovery After Calendar Year 2049 .....	6
Notification Errors .....	7
Returned Payment on PHUS .....	7
Approver and Initiator Review .....	7
Conclusions .....	8
Recommendations .....	8
Agency Comments .....	8
Other Matter .....	9
Appendix A – Scope and Methodology .....	A-1
Appendix B – Sampling Methodology and Results .....	B-1
Appendix C – Agency Comments .....	C-1

## ABBREVIATIONS

CPS	Critical Payment System
MACADE	Manual Adjustment Credit and Award Data Entry
OIG	Office of the Inspector General
PHUS	Payment History Update System
POMS	Program Operations Manual System
PSC	Program Service Center
SPS	Single Payment System
SSA	Social Security Administration
TRO	Tax Refund Offset

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) accurately processed Critical Payment System (CPS) payments.

## BACKGROUND

CPS issues Old-Age, Survivors and Disability Insurance payments to beneficiaries in critical cases and special situations when no other system is sending payments, additional benefits are due, or beneficiaries report they did not receive a monthly benefit. Critical and special situations include dire need, court orders, legislative mandates, and preliminary and expedited payments.

CPS can issue one-time payments, continuing payments with monthly installments, and immediate payments. Staff in SSA's field offices<sup>1</sup> usually initiate CPS payments. Before issuing the CPS payment, field office staff determines whether a payment is warranted by reviewing appropriate queries and systems. For example, staff determines whether a beneficiary has negotiated a payment he/she claims not to have received.

Two separate SSA employees are required to establish a CPS payment record and approve the transaction. One employee initiates the payment, and a second employee with an approver security role approves the pending transaction and issues the CPS payment.

All CPS payments require post-payment review by staff in SSA's program service centers (PSC). PSC staff should determine whether the payment was correct and the field office issued the CPS payment appropriately. PSC staff use the Manual Adjustment Credit and Award Data Entry (MACADE) System to correct or adjust beneficiary records.<sup>2</sup>

From 1 segment of the Payment History Update System (PHUS), we identified 7,735 CPS payments totaling over \$8.2 million issued in Calendar Year 2014. From this population, we randomly selected and reviewed 250 CPS payments.<sup>3</sup> We determined the accuracy of each payment issued and determined whether PSC staff adjusted and corrected the record.

## RESULTS OF REVIEW

SSA staff did not always accurately process CPS payments. Of the 250 CPS payments reviewed, we determined SSA incorrectly processed 116. Of these 116 payments, 56 resulted in improper

---

<sup>1</sup> For this report, we refer to the component paying the CPS payments as the field office, though other components, such as the teleservice centers and PSCs, can also issue CPS payments. Field offices initiated 237 of the 250 payments in our random sample.

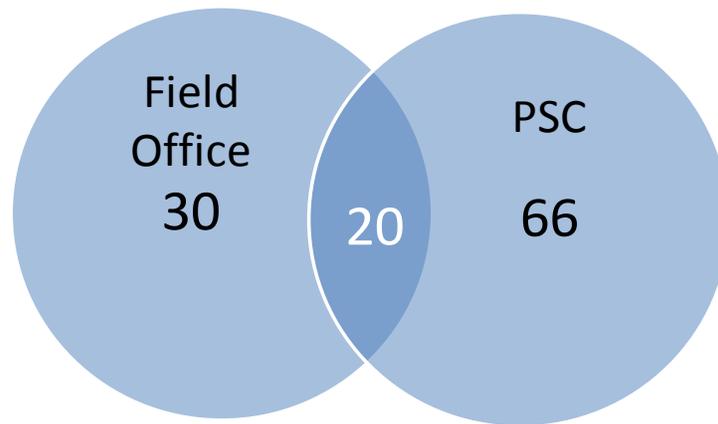
<sup>2</sup> SSA, POMS, RS 02803.250 (October 9, 2015).

<sup>3</sup> In our random sample of 250 CPS payments, SSA issued \$264,014.

payments totaling approximately \$87,800.<sup>4</sup> Estimating our results to the population, SSA did not accurately process 71,780 CPS payments. We further estimate that 34,660 of these payments resulted in over \$54 million in improper payments.

Payment processing errors included field office staff issuing incorrect payment amounts and PSC staff incorrectly adjusting beneficiaries’ records. For 20 of the 116 payments with errors, both field office and PSC staffs made errors in the same payment (see Figure 1).

**Figure 1: 116 Erroneous CPS Payments by Component**



Some of the 116 payments had multiple errors. The 116 erroneous payments had 159 errors. Similarly, some of the 56 payments that had errors that led to improper payments had multiple errors that affected the amount of the improper payment. The 56 payments had 67 payment-related errors (see Table 1).

**Table 1: 159 Payment and Non-payment Errors by Component**

Component	Number of Payment Errors	Number of Non-payment Errors	Total
Field Office	21	31	<b>52</b>
PSC	46	61	<b>107</b>
<b>Total</b>	<b>67</b>	<b>92</b>	<b>159</b>

Additionally, two separate SSA employees initiated and authorized all the CPS payments we reviewed, and all initiators and approvers were authorized to complete the transactions. Some of the staff who authorized CPS payments held lower grades than the employees who initiated the CPS payments, which CPS policy allows.

<sup>4</sup> Of the 56 cases that had improper payments, 50 had overpayments and 6 had underpayments. We used the absolute values of the improper payments to arrive at our total.

## Field Office Staff

Field office staff inaccurately processed 50 payments, making 52 errors when processing the CPS payments. Of these, 21 were payment errors that led to improper payments totaling approximately \$5,200 (see Table 2).

**Table 2: CPS Errors in the Field Office**

Payment Errors <sup>5</sup>	Number	Non-payment Errors	Number
CPS payment calculations	17	Immediate payment documentation	15
Stop payments	3	Replacement checks on PHUS	12
Tax refund offset	1	Office of the Inspector General fraud referrals	4
<b>Total</b>	<b>21</b>		<b>31</b>

### *CPS Payment Calculations*

SSA deducts Medicare premiums, voluntary tax withholdings, garnishment, and partial recovery of an existing overpayment before paying a beneficiary.<sup>6</sup> Field office staff needs to input these deductions before issuing CPS payments. Field office staff did not always make these deductions from CPS payments. Because of this, SSA issued 17 CPS payments that exceeded what the beneficiaries should have received.<sup>7</sup>

### *Stop Payments*

When a beneficiary reports he/she did not receive a benefit payment, SSA staff should request a stop on the missing payment when they process a CPS payment to replace it. When SSA inputs a stop payment, the Department of the Treasury receives a request to provide SSA with the status of the reportedly missing payment. The stop payment allows SSA staff to determine whether the beneficiary received the original payment. In three cases we reviewed, staff did not request a stop payment for the reportedly missing payments. Without the information from Treasury, SSA

---

<sup>5</sup> Payment errors include 19 cases with improper payments and 2 cases with funds at risk of being improperly paid. In these two cases, SSA staff did not request stop payments when they processed CPS payments to replace reportedly missing payments. A stop payment allows staff to determine whether a beneficiary received the reportedly missing payment, which allows staff to determine whether the beneficiary was eligible for the replacement payment provided. If the beneficiary was not eligible for the replacement payment, it would be an improper payment.

<sup>6</sup> SSA, POMS, HI 01001.020 Bullet 2. (January 15, 2004).

<sup>7</sup> SSA rounds down a beneficiary's payable amount as a cost-saving policy. SSA, POMS, RS 00601.020 A.2. (February 9, 2011). For this report, we did not add the payments with small rounding errors into the error totals.

cannot determine whether an overpayment occurred when staff released the CPS payment to replace the reportedly missed benefit payment.<sup>8</sup>

### *Tax Refund Offset*

SSA's policy excludes the use of CPS payments to provide a beneficiary a refund for a Federal Tax Refund Offset (TRO).<sup>9</sup> The TRO Program allows SSA to recover delinquent debts from Federal income tax refunds. In one case, SSA used a beneficiary's tax refund to recover a delinquent debt he owed SSA. When the beneficiary protested the use of his tax refund to repay the debt, field office staff improperly used a CPS payment to provide the beneficiary a refund for the TRO.

### *Immediate Payment Documentation*

Field office staff is required to obtain a signed document<sup>10</sup> from a beneficiary when paying an immediate payment, which acknowledges the beneficiary's receipt of the payment and agreement to repay SSA if he/she received duplicate payments.<sup>11</sup> Staff should store this document electronically in the claims folder.<sup>12</sup> In 15 cases, we were unable to locate the required documentation in the electronic folders for beneficiaries who received an immediate payment through CPS. Without the document, SSA did not have evidence of the repayment agreement.

### *Replacement Checks on PHUS*

Field office staff should record CPS payments as a replacement payment on the PHUS when a beneficiary alleged non-receipt of a benefit payment. This is necessary to correct the beneficiary's total taxable SSA benefit.<sup>13</sup> However, staff should not add a replacement check event on PHUS when a CPS payment is not a replacement payment because that would incorrectly reduce the beneficiary's total taxable SSA benefit. In 12 cases, field office staff processed CPS payments that did not update PHUS records correctly, which incorrectly reduced the beneficiaries' total taxable SSA benefits.

---

<sup>8</sup> The Treasury Check Information System showed that the three original payments were deposited into bank accounts. In one case, the beneficiary alleged direct deposit fraud. SSA posted an overpayment for the missing payment to a non-entitled debtor. SSA also requested a stop payment in July 2016, which was after we referred this case to the Agency. In the other two cases, SSA policy requires that staff request stop payments and receive a response from the Department of the Treasury on the status of the reportedly missing payments before staff can post overpayments. As of January 2017, staff had not requested stop payments for the two payments.

<sup>9</sup> SSA, POMS, RS 02801.001 B.2.e (January 8, 2010).

<sup>10</sup> We reviewed the electronic files for the required Form SSA-795.

<sup>11</sup> SSA, POMS, RS 02801.500 (January 8, 2004) and RS 02801.010 D.4. Bullet 2. (November 19, 2012).

<sup>12</sup> SSA, POMS, RS 02801.010 D.4. Bullet 7. (November 19, 2012).

<sup>13</sup> SSA, POMS, GN 05001.005 B.1. (November 7, 2013).

## *Office of the Inspector General Fraud Referrals*

Field office staff should submit an allegation to the Office of the Inspector General (OIG) via the electronic 8551 when they determine a person may have committed program fraud or other violations. In four cases, field office staff recorded that possible fraud occurred in relation to the CPS payments made to replace missing payments, but it did not complete an electronic 8551 for the fraud referrals. Without the submission of a fraud referral, our Office of Investigations cannot evaluate the allegations and determine whether criminal, civil, or administrative actions are needed.

### **PSC Staff**

PSC staff reviews and adjusts beneficiary records to account for CPS payments made.<sup>14</sup> PSC staff did not always appropriately adjust the beneficiary's record. The PSC staff incorrectly processed 86 CPS payments, making 107 errors when processing them. Of these, 46 errors resulted in improper payments totaling approximately \$82,500. See Table 3 for the types of errors made.

**Table 3: PSC Errors**

<b>Payment Errors<sup>15</sup></b>	<b>Number</b>	<b>Non-payment Errors</b>	<b>Number</b>
Manual adjustments	28	Notifications	60
Returned check	6	Returned payment on PHUS	1
Due process	5		
Non-entitled persons overpayments	5		
Partial recovery after Calendar Year 2049	2		
<b>Total</b>	<b>46</b>		<b>61</b>

### *Manual Adjustments*

PSC staff use MACADE to account for CPS payments made.<sup>16</sup> In 28 cases, PSC staff entered an incorrect amount into MACADE. For example, in one case, SSA should have withheld benefits, but staff entered \$0 instead of \$1,800 as the adjustment amount for a CPS payment made.<sup>17</sup> In doing so, MACADE did not correctly calculate any improper payments involving the CPS payment and SSA's system did not recover \$1,800 from a future payment.

---

<sup>14</sup> SSA, POMS, RS 02803.250 A. (October 9, 2015).

<sup>15</sup> Payment errors include 45 cases with improper payments and 1 case with funds at risk of being improperly paid. In this case, SSA adjusted the beneficiary's benefit payment to recover an overpayment before providing the beneficiary with the required time to protest or request a waiver or partial adjustment of the overpayment.

<sup>16</sup> SSA, POMS, RS 02803.250 B. (October 9, 2015).

<sup>17</sup> After we notified SSA about this case, it corrected the error and notified the beneficiary of the overpayment.

### *Returned Check*

When SSA makes a CPS payment to replace a missing payment and the initial payment is returned, PSC staff determines whether the initial payment should be repaid to the beneficiary. In six cases, SSA did not properly adjust the beneficiary's record to account for the returned payment, which resulted in improper payments. For example, SSA repaid a returned payment that was not due to the beneficiary. Conversely, for another beneficiary, SSA did not credit a returned payment that was due.

### *Due Process*

According to SSA policy, it delays overpayment collections to allow a beneficiary time to protest or request a waiver or partial adjustment of the overpayment. PSC staff did not always delay the collection of overpayments caused by CPS payments. PSC staff reduced the next payment for five beneficiaries by the amount of the CPS payments after staff concluded the CPS payment was improper. Because staff adjusted the records without a special coding that would delay collection, SSA did not provide the beneficiaries the required due process before recovering the overpayments.

### *Non-entitled Persons Overpayments*

When a beneficiary receives a CPS payment to replace a benefit payment the beneficiary reported was fraudulently misdirected from his/her bank account, SSA takes steps to ensure the victimized beneficiary is not held liable for the misdirected benefit payment. PSC staff must establish an overpayment to a non-entitled debtor recognizing that the victim did not receive the first payment and is not liable for its return. PSC staff did not establish four non-entitled debtor overpayments and incorrectly created one non-entitled debt twice in cases involving fraudulently misdirected payments. Should the Department of the Treasury return any of these misdirected payments to SSA, staff may incorrectly credit the payments to the beneficiary, which could lead to overpaying the beneficiary.

### *Partial Recovery After Calendar Year 2049*

SSA's systems do not track recovery of overpayments through partial recovery past Calendar Year 2049, so staff needs to follow special procedures when the time needed to recover an overpayment exceeds 2049. PSC staff should use diaries and special messages to control recovery of the overpayment balance. Because SSA did not do so for two cases, it may not recover the balance of the beneficiaries' overpayments after Calendar Year 2049.<sup>18</sup>

---

<sup>18</sup> SSA took action to properly control for these two cases after we brought them to its attention.

## *Notification Errors*

According to SSA policy, PSC actions generally require a notification letter to the beneficiary who received the CPS payment. In 60 cases, SSA did not send a notice to beneficiaries after PSC staff updated the beneficiaries' records.<sup>19</sup>

## *Returned Payment on PHUS*

Field office staff should add the appropriate entries in CPS to ensure a replacement check event is coded on PHUS when they release a CPS payment to replace a missing benefit payment. Adding the replacement check event on PHUS ensures the beneficiary's total taxable benefit amount is correct because only one of the two payments is counted in the total. If the missing payment is later returned, SSA's system automatically records a returned check event on PHUS, subtracting that payment from the total taxable benefit amount. If both the replacement check and returned payment PHUS events remain on the record, they, in effect, cancel the original and CPS payments. It appears as if the beneficiary should not be taxed on the original and CPS payments when one payment is taxable. PSC staff needs to remove one of the PHUS events to ensure the replacement payment is counted in the beneficiary's total taxable benefit amount. In one case, PSC staff did not remove one of the PHUS events, which could incorrectly decrease the beneficiary's income taxes due for that tax year.

## *Approver and Initiator Review*

SSA requires that a separate initiator and approver issue a CPS payment. We reviewed the CPS payments in our population and concluded that different SSA employees acted separately as the initiator and approver for all the payments.

We identified 194 CPS payment transactions where lower-graded employees approved CPS payments initiated by higher-graded employees. SSA's CPS policy does not define the specific positions that should act as initiators or approvers. SSA informed us that anyone with authorization could approve CPS payments, regardless of their grade level. Therefore, the lower-graded employees were authorized to approve the CPS payments they approved.

CPS is similar to SSA's SPS, which also allows SSA to issue payments outside its normal payment systems. SPS payments may require the approval of multiple employees at increasing levels of authority depending on the payment amounts. SSA's SPS policy specifically identifies the positions authorized to approve the release of an SPS payment. According to SPS policy, post-entitlement technical experts and/or managers are authorized to approve SPS payments that require approvals.<sup>20</sup>

---

<sup>19</sup> SSA, POMS, NL 00719.005 B. (September 23, 2011).

<sup>20</sup> SPS payments over certain dollar amounts require action and/or approval by the originator, post-entitlement technical expert, and/or manager or equivalent.

## CONCLUSIONS

SSA did not always accurately process CPS payments. Field office staff did not always include required payment deductions, request stop payments, annotate CPS payments as replacement payments, document repayment agreements, or complete fraud referrals to OIG.

PSC staff can aid in reducing CPS payment errors made by field office staff and help recoup funds the field office paid in error. However, SSA may not collect overpayments caused by CPS payments if PSC staff do not take certain actions. PSC staff did not always provide due process before initiating collection of CPS overpayments, follow special procedures to establish partial recoveries of overpayments, record non-entitled debtor overpayments, credit returned payments correctly, or notify beneficiaries, when required.

Finally, while both CPS and SPS issue payments outside SSA's normal payment processes and require two separate SSA employees to initiate and approve certain payments, the policies for each system on who can initiate and approve payments are different. SPS policy specifies particular employee positions authorized to approve payments, but CPS policy does not.

## RECOMMENDATIONS

We recommend that SSA:

1. Review the 116 CPS payments we determined were not accurately processed to ensure all required steps are completed and any payment errors are corrected.
2. Based on the results of the review of the 116 erroneous cases, determine whether additional payments in the CPS population should be reviewed to ensure they were accurately processed.
3. Remind staff who process CPS payments to use appropriate policy to reduce the CPS processing errors we identified.
4. Determine whether CPS policy should be consistent with SPS policy by identifying the positions authorized to approve the release of CPS payments.

## AGENCY COMMENTS

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

## OTHER MATTER

SSA can award interim benefits<sup>21</sup> to individuals who applied for benefits before the Appeals Council issued a final decision on their eligibility for benefits. In these cases, SSA establishes continuing, monthly payments through CPS.<sup>22</sup> SSA should stop the monthly payments when it decides a beneficiary is not eligible for benefits.<sup>23</sup>

Fourteen of the 250 CPS payments we reviewed were continuing monthly payments made to 10 beneficiaries eligible for interim benefits. SSA appropriately released the 14 payments to the beneficiaries as interim benefits before they received final eligibility determinations.

One of these beneficiaries continued receiving CPS payments after SSA determined he was not eligible for benefits. The Agency did not stop the monthly continuous CPS payments, and the beneficiary received 14 continuous CPS payments, totaling \$3,250, after the unfavorable decision. Per policy, SSA does not record overpayments for individuals who received interim benefits for longer than they should have,<sup>24</sup> so SSA cannot recover these funds.

We did not include this issue in the *Results of Review* of the report because the continuous CPS payments in our sample were accurate. Also, the number of continuous CPS payments we reviewed was small, so it would not be appropriate to draw broader conclusions. Still, we wanted to alert the Agency of the error we identified beyond our sampled cases, and that we plan to conduct additional audit work on continuous CPS payments to better quantify the issue and any corrective action that may be needed.



for

Rona Lawson  
Assistant Inspector General for Audit

---

<sup>21</sup> SSA can pay continuous CPS payments when SSA awards a beneficiary interim benefits if there is no final decision on their benefits within 110 days after a favorable administrative law judge decision on disability and the Appeals Council has exercised its authority to review the administrative law judge's decision on its own motion. *Social Security Act § 223 (h)(1)*, *42 U.S.C. § 423 (h)(1)* and SSA, HALLEX, I-3-6-40 A. (April 1, 2016).

<sup>22</sup> SSA, POMS, DI 42010.215 A and C.1. (November 7, 2016).

<sup>23</sup> SSA, POMS, DI 42010.225 (October 15, 2015) and DI 42010.205 C.2. (November 7, 2016).

<sup>24</sup> SSA cannot charge the beneficiary who received interim benefits with an overpayment unless the benefits were fraudulently obtained. SSA, POMS, DI 42010.205 E. (November 7, 2016).

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

---

To accomplish our objective, we:

- Reviewed the *Social Security Act*, applicable Social Security Administration (SSA) Emergency Messages, SSA's Program Operations Manual System, and SSA's Hearings, Appeals and Litigation Law Manual.
- Identified 7,735 critical payments from one segment the Payment History Update System (PHUS) made in the period January 1, through December 31, 2014.
- Selected a random sample of 250 of the 7,735 Critical Payment System (CPS) payments for review.
- Reviewed the CPS record; post-entitlement notices; CPS output produced in the processing service centers; transactions on the Recovery of Overpayment, Accounting and Reporting record; and SSA actions performed in Title II and Manual Adjustment Credit and Award Process for the cases we selected.
- Reviewed Treasury Check Information System and Department of the Treasury status codes on PHUS to determine the status of original and replacement checks, where applicable, for the cases we selected.
- Reviewed SSA's Master Beneficiary Record for any payment rates, suspensions, and underpayment or overpayment information to determine the amount due for the applicable period for the cases we selected.
- Determined whether CPS payments in our sample that involved allegations of direct deposit fraud were referred to the Office of the Inspector General.
- Obtained audit trail data for the CPS payments in our population. The data included employee personal identification numbers and position information. Of the CPS payments in our population, 137 payments for 35 beneficiaries were recurring payments initiated before December 1, 2013. Additionally, one beneficiary's Social Security number was changed on the Master Beneficiary Record between when we requested the payment data and when we requested the audit trail data. Consequently, we did not obtain audit trail data for these 138 payments. The remaining CPS payments had a different initiator and approver, as required by SSA policy. Therefore, we concluded the control was working as intended and did not extract audit trail data for the 138 payments.
- Compared the extracted personal identification numbers to a list obtained from SSA to determine whether the SSA employee was authorized to either approve or initiate the CPS payment.
- Provided SSA the critical payments we identified as errors for its review.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We performed this audit in New York, New York, between April 2016 and January 2017. The entity reviewed was 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 objective.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

From 1 segment of the Payment History Update System (PHUS), we identified 7,735 Critical Payment System (CPS) payments, totaling over \$8.2 million, issued in Calendar Year 2014. From this population, we randomly selected and completed a review of 250 payments. We determined the accuracy of the payments issued by the field offices. We also determined whether program service center staff adjusted and corrected the beneficiary’s record accurately.

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

Description	Beneficiaries
Population Size (identified in 1 segment of the PHUS)	7,735
Sample Size	250
Total Estimated Population (Population Size x 20 segments)	154,700

We determined that Agency staff did not always accurately process CPS payments. Specifically, Social Security Administration staff incorrectly processed 116 of the 250 payments we reviewed. Of these 116 erroneously processed CPS payments, 56 resulted in improper payments totaling \$87,766.<sup>1</sup>

**Table B–2: Improper Payments**

Description	Number of CPS Payments with Errors	Number of CPS Cases with Improper Payments	Improper Payment Amount
Sample Results (for 1 segment)	116	56	\$87,766
Point Estimate (for 1 segment)	3,589	1,733	\$2,715,478
Projection – Lower Limit	3,183	1,407	\$1,257,413
Projection – Upper Limit	4,000	2,095	\$4,173,543
Population Estimate (Point Estimate x 20 segments)	71,780	34,660	\$54,309,560

\*All projections are at a 90-percent confidence level.

<sup>1</sup> Of the 56 cases with improper payments, 50 had overpayments and 6 had underpayments. We used the absolute values of the improper payments to arrive at our total.

## Appendix C – AGENCY COMMENTS

---



## SOCIAL SECURITY

### MEMORANDUM

**Date:** April 14, 2017 **Refer To:** S1J-3

**To:** Gale S. Stone  
Acting Inspector General

**From:** Stephanie Hall /s/  
Acting Deputy Chief of Staff

**Subject:** Office of the Inspector General Draft Report, “Accuracy of Critical Payment System Payments”  
(A-02-17-34020)--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,  
“ACCURACY OF CRITICAL PAYMENT SYSTEM PAYMENTS” (A-02-17-34020)**

**General Comment**

To ensure the public’s trust, we continue to focus on paying the right benefit, to the right person, at the right time. We continue our efforts to increase technician awareness of critical payment processing instructions and the steps necessary to ensure accurate and timely payment issuance.

**Recommendation 1**

Review the 116 CPS payments we determined were not accurately processed to ensure all required steps are completed and any payment errors are corrected.

**Response**

We agree.

**Recommendation 2**

Based on the results of the review of the 116 erroneous cases, determine whether additional payments in the CPS population should be reviewed to ensure they were accurately processed.

**Response**

We agree.

**Recommendation 3**

Remind staff who process CPS payments to use appropriate policy to reduce the CPS processing errors we identified.

**Response**

We agree.

**Recommendation 4**

Determine whether CPS policy should be consistent with SPS policy by identifying the positions authorized to approve the release of CPS payments.

**Response**

We agree.

## MISSION

By conducting independent and objective audits, evaluations, and investigations, the Office of the Inspector General (OIG) inspires public confidence in the integrity and security of the Social Security Administration's (SSA) programs and operations and protects them against fraud, waste, and abuse. We provide timely, useful, and reliable information and advice to Administration officials, Congress, and the public.

## CONNECT WITH US

The OIG Website (<https://oig.ssa.gov/>) gives you access to a wealth of information about OIG. On our Website, you can report fraud as well as find the following.

- OIG news
- audit reports
- investigative summaries
- Semiannual Reports to Congress
- fraud advisories
- press releases
- congressional testimony
- an interactive blog, "[Beyond The Numbers](#)" where we welcome your comments

In addition, we provide these avenues of communication through our social media channels.



[Watch us on YouTube](#)



[Like us on Facebook](#)



[Follow us on Twitter](#)



[Subscribe to our RSS feeds or email updates](#)

## OBTAIN COPIES OF AUDIT REPORTS

To obtain copies of our reports, visit our Website at <https://oig.ssa.gov/audits-and-investigations/audit-reports/all>. For notification of newly released reports, sign up for e-updates at <https://oig.ssa.gov/e-updates>.

## REPORT FRAUD, WASTE, AND ABUSE

To report fraud, waste, and abuse, contact the Office of the Inspector General via

**Website:** <https://oig.ssa.gov/report-fraud-waste-or-abuse>

**Mail:** Social Security Fraud Hotline  
P.O. Box 17785  
Baltimore, Maryland 21235

**FAX:** 410-597-0118

**Telephone:** 1-800-269-0271 from 10:00 a.m. to 4:00 p.m. Eastern Standard Time

**TTY:** 1-866-501-2101 for the deaf or hard of hearing