

OIG

Office *of the* Inspector General  
SOCIAL SECURITY ADMINISTRATION

*Audit Report*

## Non-Entitled Debtors Program

*A-03-14-24024 | August 2015*

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

**MEMORANDUM**

**Date:** August 14, 2015

**Refer To:**

**To:** The Commissioner

**From:** Inspector General

**Subject:** Non-Entitled Debtors Program (A-03-14-24024)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration was taking full advantage of the Non-Entitled Debtors program to identify and collect debts owed to the Agency.

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

# Non-Entitled Debtors Program

## A-03-14-24024



August 2015

Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) was taking full advantage of the Non-Entitled Debtors (NED) program to identify and collect debts owed to SSA.

### Background

An NED is a person or entity that owes a debt to SSA but may not be entitled to Social Security benefits or Supplemental Security Income payments. Examples include deceased beneficiaries' representative payees (individual or organizational); persons who owe a court-ordered penalty or restitution; attorneys and non-attorneys who received excess fees; or persons who fraudulently or erroneously obtained benefits.

Before 2005, SSA did not have a process for automatically controlling debts owed by an NED. Further, SSA was unable to use such debt collection tools as the Treasury Offset Program (TOP) and credit bureau reporting to pursue these debts since using them depends on the existence of a Master Beneficiary Record or Supplemental Security Income Record for the debtor.

To address this deficiency and comply with section 201 of the *Foster Care Independence Act of 1999*, SSA created the NED program. The NED program identifies, records, controls, and resolves debts owed by individuals who do not have a master record.

### Findings

NED debt collection efforts could be improved. We found SSA did not initiate benefit withholdings to recover about \$452,000 in debts owed by 169 debtors who, based on the information in SSA's systems, met the criteria. In 33 cases, SSA overstated its delinquent debts by approximately \$121,000 because it did not remove debts from deceased beneficiaries' records when debts were satisfied or transferred to the NED's records. Further, SSA was unable to collect about \$95,000 in debts owed by 29 debtors using Administrative Wage Garnishment (AWG) because the debts were not deemed unrecoverable after several years or did not meet the selection criteria for SSA's External Collection Operation.

In addition, SSA erroneously pursued recovery of about \$2.1 million from 369 debtors who were not liable for the debts. The Agency deemed the representative payees liable because of an error in its overpayment system. Moreover, SSA had not expanded the NED initiative to include additional types of NEDs so the Agency could maximize the use of its External Collection Operation tools (Treasury Offset Program, AWG, and credit bureau reporting) to increase debt recovery. The Agency intends to submit a proposal to expand NED for future consideration.

### Recommendations

We made five recommendations for SSA to improve its debt collection strategy to increase debt recovery.

SSA agreed with all five of our recommendations.

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## ABBREVIATIONS

AWG	Administrative Wage Garnishment
ECO	External Collection Operation
MBR	Master Beneficiary Record
NED	Non-Entitled Debtors
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
RECOOP	Recovery and Collection of Overpayment Process
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration
SSR	Supplemental Security Record
TOP	Treasury Offset Program

## OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) was taking full advantage of the Non-Entitled Debtors (NED) program to identify and collect debts owed to SSA.

## BACKGROUND

An NED is a person or entity that owes a debt<sup>1</sup> to SSA but may not be entitled to Social Security benefits or Supplemental Security Income payments. Examples of NEDs include deceased beneficiaries' representative payees (individual or organizational); persons who owe a court-ordered penalty or restitution; attorneys and non-attorneys who received excess fees; or persons who fraudulently or erroneously obtained benefits.

SSA created the NED program to comply with section 201 of the *Foster Care Independence Act of 1999*.<sup>2</sup> The NED program identifies, records, controls, and resolves debts owed by individuals who do not have a Master Beneficiary Record (MBR) or Supplemental Security Record (SSR) of his/her own. Before 2005, SSA did not have a process to control debts owed by debtors who did not have an MBR or SSR. SSA was unable to use such debt collection tools as the Treasury Offset Program (TOP), Administrative Wage Garnishment (AWG), and credit bureau reporting to pursue the debts since using the tools depended on the existence of an MBR record for the debtor. The NED initiative automatically identifies, selects, and carries debts through the debt-collection program.<sup>3</sup> As of the date of our review, the NED program had captured payments made to representative payees after the death of a Title II beneficiary and overpayments to representative payees before the death of the Title II beneficiary for which the payee was responsible. As appropriate, SSA uses the following debt collection methods or systems to pursue overpayments from representative payees.

- *Recovery and Collection of Overpayment Process* (RECOOP) is a billing and follow-up system developed as part of SSA's Debt Management Process.<sup>4</sup>

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<sup>1</sup> SSA, POMS, GN 02201.001 A (July 20, 2010). An overpayment is the total amount an individual received for any period that exceeds the total amount that should have been paid for that period. Once a determination of overpayment is made, the overpaid amount is a debt owed to the United States Government.

<sup>2</sup> The *Foster Care Independence Act of 1999* requires that SSA establish an overpayment control record under the Social Security number of a representative payee who receives incorrect benefit payments on behalf of a beneficiary after the beneficiary's death. Pub. L. No. 106-169, 113 Stat. 1832 (December 14, 1999).

<sup>3</sup> SSA, POMS, GN 02230.040 B.2 (July 17, 2012).

<sup>4</sup> SSA, POMS, NL 00740.001 (July 9, 2003).

- *Benefit Withholding* can be used to withhold benefits to collect a debt from an NED who starts receiving Social Security benefits. The system determines whether the NED is in current pay status on his/her own account and generates an alert so SSA staff can transfer the debt to the NED's benefit record for benefit withholdings.<sup>5</sup>
- *External Collection Operation* (ECO) is a system used to refer debts to external collection methods such as TOP, AWG, and credit bureau reporting. TOP enables the Department of the Treasury to recover an individual's delinquent debt by offsetting any Federal payment due that individual.<sup>6</sup> AWG is the process whereby SSA orders an employer to withhold amounts each pay period from an employee who owes a debt to the Agency, and the employer pays those amounts to SSA.<sup>7</sup> Credit bureau reporting is the posting of a debt to an individual's credit record. SSA uses credit bureau reporting as a way of influencing a debtor to repay a debt.<sup>8</sup> Debts must meet the ECO selection criteria to be referred to TOP, AWG, and credit bureau reporting.<sup>9</sup>

During the 7-year period (2008 to 2014), SSA collected about \$31 million in delinquent debts owed by NEDs using various debt collection tools. In Fiscal Year (FY) 2008, the Agency collected about \$8.4 million, and by 2014, the amount had decreased to \$3.6 million. SSA collected a significant amount in FY 2008 when NED became fully functional, allowing the Agency to use ECO to recover NED debts.

**Table 1: NED Debt Collection by Fiscal Year**

Fiscal Year	Number of Debts	Amount of Debt Collected
2008	26,301	\$8,408,343
2009	18,963	\$4,840,061
2010	14,651	\$3,533,404
2011	14,174	\$3,485,941
2012	13,590	\$3,532,781
2013	12,844	\$3,564,013
2014	12,659	\$3,608,080
<b>Total</b>	<b>113,182</b>	<b>\$30,972,623</b>

<sup>5</sup> SSA, POMS, GN 02230.040 D.5 (July 17, 2012).

<sup>6</sup> SSA, POMS, GN 02201.029 A.2 (January 31, 2014).

<sup>7</sup> SSA, POMS, GN 02201.040 A.2 (July 16, 2012).

<sup>8</sup> SSA, POMS, GN 02201.032 A.2 (January 28, 2014).

<sup>9</sup> SSA, POMS, GN 02201.040 A.3 (July 16, 2012).

As of October 2013, the NED program included 7,000 debtors who had 7,025 delinquent debts totaling about \$22 million. These debts were active for recovery, had an outstanding balance of at least \$200, and were primarily less than 10-years old. In addition, the debtors were alive. For this review, we focused on SSA’s use of benefit withholding and AWG to recover delinquent debts in the NED program. We did not review SSA’s use of TOP because we addressed that in a separate audit.<sup>10</sup>

## RESULTS OF REVIEW

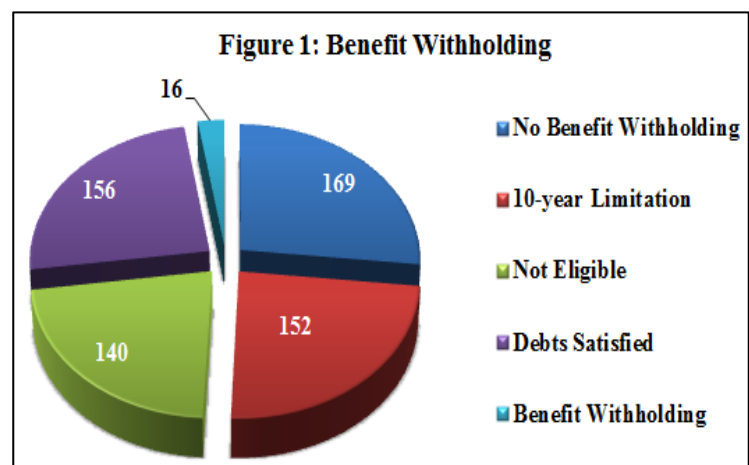
NED debt collection efforts could be improved. We found SSA did not initiate benefit withholdings to recover about \$452,000 in debts owed by 169 debtors who, based on the information in SSA’s systems, met the criteria. In 33 cases, SSA overstated its delinquent debts by approximately \$121,000 because it did not remove debts from deceased beneficiaries’ records when debts were satisfied or transferred to the NED’s records. Further, SSA was unable to collect about \$95,000 in debts owed by 29 debtors using AWG because the debts were not deemed unrecoverable after several years or did not meet the selection criteria for ECO. In addition, SSA erroneously pursued recovery of about \$2.1 million from 369 debtors who were not liable for the debts. The Agency deemed the representative payees liable because of an error in its overpayment system. Moreover, SSA had not expanded the NED initiative since 2008 to include additional types of NED debts so the Agency could maximize the use of its external collection operation tools (TOP, AWG, and credit bureau reporting) to increase debt recovery. The Agency intends to submit a proposal to expand NED for future consideration.

### Debt Collection Tools

#### *Benefit Withholding*

Of the 633 debtors who were receiving Social Security benefits, we found:

- 169 debtors with debts totaling about \$452,000 were eligible for benefit withholding, yet SSA did not initiate action to collect the delinquent debts from their benefits.
- 152 debtors with debts totaling about \$396,000 were not eligible for benefit withholdings based on the 10-year statute of limitations. SSA’s policy prohibits the



<sup>10</sup> SSA OIG, *The Social Security Administration’s Use of the Treasury Offset Program* (A-04-14-14104), (July 2015).



recovery of an overpayment by benefit adjustment more than 10 years after the debt accrues<sup>11</sup> and SSA had the means to collect the debt by benefit withholding, but no recovery efforts were initiated.<sup>12</sup> However, 76 debtors with debts totaling \$186,000 may have been eligible for benefit withholding because they were receiving benefits prior to the 10-year statute of limitation.

- 140 debtors, with debts totaling about \$915,000, were not eligible for benefit withholding because of due process, installment agreements, waivers, or SSA determined they were not liable for the debts. Eleven of these cases were in a due process status between May 2003 and February 2014. Therefore, as of April 2015, the debts were unresolved for 15 to 144 months.
- 156 debtors satisfied approximately \$708,000 in debts. In 21 cases, SSA did not delete \$29,000 in debts from the deceased beneficiaries' records after the debts were satisfied.
- 16 debtors had approximately \$97,000 in debts transferred to their benefit records and SSA began benefit withholding. As of January 2015, these debtors repaid about \$58,000, leaving a balance of \$39,000. However, for 12 cases, SSA did not delete \$92,000 in debts from the deceased beneficiaries' records after the debts were transferred.

We determined that 169 debtors, who had not taken steps to repay their delinquent debts, were eligible for benefit withholdings after they became entitled to benefits on their own records. According to SSA policy, when an NED is in current pay status or becomes entitled to Social Security benefits, a one-time alert is generated requiring that SSA staff start benefit withholding.<sup>13</sup> Staff is required to delete the debt from the deceased beneficiary's MBR, establish the debt on the NED's MBR, and start benefit withholdings. The delinquent debts for the 169 debtors had remained on the deceased beneficiaries' records with no debt collection activity for at least 90 days. The last activity for these cases occurred between October 2005 and August 2014. Of the 169 cases, 20 had alerts notifying staff to transfer the debts to the NED's MBR but the alerts had been pending since May 2014 with no action taken. The alerts were initiated between September 2013 and May 2014. For the remaining 150 cases, SSA's records did not include an alert. SSA staff reviewed historical files and was not able to confirm that alerts were generated. It is possible alerts were generated and deleted without any action taken.

We found 33 cases where the debts were satisfied or transferred for benefit withholding, but the Agency did not delete \$121,000 in debts from the deceased beneficiaries' records, which caused

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<sup>11</sup> A debt accrues with the latter of the initial overpayment determination, an affirmation by an administrative appeal proceeding or court, when an adjustment method is no longer available, a debtor defaults on a repayment agreement, or the latest TOP activity.

<sup>12</sup> SSA, POMS, GN 02210.003 A.1 (January 28, 2014).

<sup>13</sup> SSA, POMS, GN 02230.040 D.5 (July 17, 2012). The NED program is read monthly for all records that have been established on the NED database for at least 90 days to determine whether an alert is needed. If an alert has already been produced, another will not be generated.

SSA to overstate the amount of its delinquent debts. The failure to delete the overstated debts appeared to be an oversight by staff responsible for transferring debts from beneficiaries' records to the debtors' records. For example, in 2011, SSA determined a beneficiary was overpaid approximately \$32,000 and deemed the NED was liable for the debt because he was the representative payee before the beneficiary died. SSA transferred the debt to the representative payee's record, and the debt was later satisfied. However, SSA staff did not delete the debt from the beneficiary's record giving the appearance the debt was still outstanding.

### *Administrative Wage Garnishment*

We determined that SSA was not able to use AWG to collect debts totaling about \$95,000 from 29 debtors who had earnings for Tax Years 2012 and/or 2013 because the Agency had not deemed the debts unrecoverable or the debts did not meet ECO selection criteria. To select a debtor for AWG, the ECO system automatically select debtors who met certain criteria such as, the debt was established after age 18; the debt is \$200 or more; no installment payment arrangements exists or the debtor failed to make a installment payments for 2 consecutive months; no waiver or appeal is pending; cross program recovery is not available; and the debtor earned at least \$25,000.<sup>14</sup> Of the 29 cases, we found the following:

- 24 debtors with debts totaling about \$84,000 were not eligible for AWG because the Agency did not send letters to complete the billing cycle, the billing status for debtors was frozen, or the debtors established installment agreements, but did not make any payments. In all these cases, the debts were not deemed unrecoverable. To be selected for ECO and AWG, a debt must be considered unrecoverable, meaning SSA terminated debt recovery efforts. For these cases, SSA records showed the debts were still available for recovery through RECOOP and installment agreements even though SSA had not recovered any payments for almost 2 years—May 2005 to August 2013. Had SSA deemed the debts unrecoverable, the debts may have been recoverable through AWG.
- 5 debtors with debts totaling approximately \$11,000 were not referred to AWG because the cases did not meet ECO selection criteria. According to Agency staff, ECO's functional requirements prevented SSA from selecting these cases because the Social Security numbers of the debtors were already in ECO for other debts, which would cause duplicates in ECO. ECO selects debts at the debtor's level and if one debt does not meet the ECO criteria, none of the other debts on the record will be selected. The Agency recognized this issue and proposed changes to the ECO selection criteria. The Agency's ECO Modernization project is expected to enable ECO to select and store debts at an individual debt level rather than at the debtor level to ensure that all eligible debts are selected by ECO for collection.

In addition, we found SSA sent AWG orders to employers to collect about \$78,448 in debts from 29 debtors, but the employers did not respond or refused to cooperate. For example, in 2009 SSA sent an AWG notice to an employer in Texas because an employee owed SSA about

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<sup>14</sup> SSA, POMS, GN 02201.040 A.3 (July 16, 2012).

\$2,174 in delinquent debt, but the employer failed to respond to the order. This employee continued working for the employer until 2013 yet the employer never garnished his wages to collect the delinquent debt. The employee earned about \$51,000 in Tax Year 2012 and \$64,000 in Tax Year 2013.

According to SSA policy, SSA may sue any employer for any amount the employer unlawfully refuses to withhold from the disposable pay after the employer receives an AWG order.<sup>15</sup> We reported this condition in our September 2008 report, *Administrative Wage Garnishment*,<sup>16</sup> and recommended that SSA determine what actions should be taken when uncooperative or non-responsive employers impede its efforts to collect delinquent debt using AWG. SSA agreed with the recommendation but the Office of the General Counsel indicated that, because of potential inaccurate AWG data, it was premature to threaten legal action against employers.

## Incorrect Debtors

SSA pursued the recovery of approximately \$2.1 million in debts from 369 debtors who were not liable for the debts because the Agency did not assign them as representative payees until after the debts were established. According to the *Social Security Act*, the overpaid person (whether or not he/she still receives benefits), his/her representative payee, and any other person receiving benefits on the overpaid person's earnings record are liable (responsible) for repayment of an overpayment.<sup>17</sup> The Agency automatically establishes an NED record<sup>18</sup> for debt recovery when a representative payee's selection date on the MBR is before the date the debt was established. This indicates the representative payee managed and received the benefit payment when the overpayment occurred. However, SSA's MBR and Representative Payee System<sup>19</sup> showed the Agency did not select the 369 individuals as representative payees until 1 month to 21 years after the debts were established, see Table 2. For all 369 cases, SSA established the debts before the beneficiaries' deaths. Thus, the representative payees were not liable for the debts.

For example, in 1994, SSA determined a beneficiary was overpaid approximately \$82,000 because the beneficiary was not entitled to receive benefits. In May 2013, 19 years after the debt was established, SSA assigned the beneficiary a representative payee. In June 2013, the beneficiary died leaving a \$39,000 outstanding balance. At that point, SSA shifted the liability for the outstanding debt to the representative payee even though the representative payee was assigned after SSA established the debt.

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<sup>15</sup> SSA, POMS, GN 02201.040 A.10 (July 16, 2012).

<sup>16</sup> SSA OIG, *Administrative Wage Garnishment*, (A-13-08-28009), September 2008, p.7.

<sup>17</sup> *Social Security Act* § 204(a), 42 U.S.C. § 404 (a).

<sup>18</sup> SSA, POMS, GN 02230.040 B.2 (July 17, 2012).

<sup>19</sup> We reviewed the Representative Payee System to determine the payee selection date because the selection dates on the MBR can be overwritten.

**Table 2: Summary of Incorrect Debtors**

Time Period	Number of Debtors	Percent
1 to 11 months	80	22
1 to 4 years	151	41
5 to 9 years	92	25
10 to 21 years	46	12
<b>Total</b>	<b>369</b>	<b>100</b>

As shown in Table 3, as of November 2014, SSA's records showed that 304 of the 369 debtors had balances totaling approximately \$1.7 million in delinquent debt. The 65 remaining debtors' debts were satisfied because they were repaid, waived, or refunded.

**Table 3: Status of Debts**

Status	Number of Debtors	Initial Balance	Amount Satisfied	Current Balance
Debts Satisfied	65	\$320,093	\$320,093	-
Debts Not Satisfied	304	1,758,786	21,093	\$1,737,693
<b>Total</b>	<b>369</b>	<b>\$2,078,879</b>	<b>\$341,186</b>	<b>\$1,737,693</b>

According to SSA staff, the Agency erroneously deemed the representative payees liable because of an error in the Recovery of Overpayment, Accounting, and Reporting (ROAR) system. ROAR records and controls the recovery of overpaid Social Security benefits, and it determines whether a record should be added to the NED database by setting a liability indicator. The liability indicator is set when the Agency establishes a new debt in ROAR and a date of death is posted to the MBR for the deceased beneficiary. The system checks the date of selection for the representative payee when new debts are established but this code is missing when a date of death is posted to the MBR. Agency staff believes this problem has been happening since 2008 when the logic was first introduced to NED. SSA needs to take steps to correct this problem to avoid seeking the collection of delinquent debts from individuals who are not legally liable.

## Expansion of Non-Entitled Debtors Program

The Agency did not expand the use of NED to collect debts owed by additional types of NEDs. NED captures payments made to representative payees after a Title II beneficiary's death and overpayments to representative payees before the death of the Title II beneficiary for which the payee is responsible. However, the *Social Security Protection Act of 2004*,<sup>20</sup> which allows

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<sup>20</sup> Pub. L. No. 108-203, § 104, 118 Stat. 503.

benefits misused by representative payees to be treated as overpayments to the representative payee, expanded SSA's authority to use all available debt collection tools to pursue collection of these debts.<sup>21</sup> According to SSA policy, the Agency was to expand NED to include the following NEDs in future releases.<sup>22</sup>

- Representative payee of deceased Title XVI recipient
- Representative payee who had not relinquished conserved funds
- Representative payees who has misused Title II or title XVI funds
- Representative payees who has misapplied Title XVI funds
- Persons who owe civil monetary penalties and assessments
- Persons who owe a court-ordered penalty or restitution
- Attorney and non-attorney representatives who receive excess fees
- Persons who fraudulently or erroneously obtain benefits
- Organizational payees

SSA uses other systems to track and monitor debts of NEDs who do not meet NED criteria. For example, SSA uses a standalone ROAR system to track and monitor the debts owed by representative payees and uses the Social Security Online Accounting and Reporting System to track and monitor debts owed by organizational payees. However, the use of these two systems prevents the integration of debts into the RECOOP system for automated billing. Thus, the Agency must use a manual billing process to collect the debts. More importantly, SSA is prevented from using ECO to collect payees' debts. The main benefit of NED is that it allows SSA to use such debt collection tools as TOP, AWG, and credit bureau reporting to collect delinquent debts, which should increase the amount of delinquent debts SSA recovers.

SSA staff stated the NED program would be expanded as resources permit, and a proposal was submitted for the FY 2015 Strategic Information Technology Assessment and Review<sup>23</sup> for the expansion. The proposal indicated the Agency's desire to expand NED to collect previously uncollectible debts through an automated means from debtors who do not have a benefit record. Further, the expansion of NED would decrease staff workload for manually controlling and requesting payment of the debt. According to SSA staff, the Agency deferred the proposal because of competing priorities and resources but the Agency intends to resubmit the proposal for future consideration.

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<sup>21</sup> 20 C.F.R. § 404.2041.

<sup>22</sup> SSA, POMS, GN 02230.035 A (August 19, 2008).

<sup>23</sup> Strategic Information Technology Assessment and Review approval is the last of three stage gates in SSA's Select Phase of the Capital Planning and Investment Control process, which requires that the Strategic Information Technology Assessment and Review Board decide whether to approve an idea submitted for review.

## CONCLUSIONS

Overall, we believe SSA could improve the NED process to increase its debt recovery efforts. Our review showed that SSA did not always use its debt-collection tools effectively to recover delinquent debts owed by representative payees. In some instances, the Agency overstated delinquent debts that were satisfied because it failed to remove the debts from deceased beneficiaries' records. Further, SSA pursued recovery of delinquent debts from individuals who were not liable for the debts. Although the Agency had deemed the NED program to be a successful tool to track, monitor, and control debts owed by non-entitled persons, SSA had not expanded the NED initiative so more debts could be selected by ECO to increase debt recovery. Without the expansion of NED, SSA missed opportunities to recover debts that may not otherwise be collected. Therefore, we encourage the Agency to continue to consider the expansion of NED.

## RECOMMENDATIONS

We recommend that SSA:

1. Ensure system alerts are generated for cases that meet the criteria for benefit withholding as required by policy and remind Operations employees to timely resolve such alerts.
2. Delete \$121,000 in delinquent debts from the 33 beneficiaries' records where the debts were satisfied or transferred to the NED's record.
3. Remind employees to follow SSA's policy and procedures when deleting debts that have been satisfied.
4. Correct the system error with ROAR to ensure the Agency pursues recovery of delinquent debts owed by the correct liable person.
5. Take action on the 24 cases to determine if they are eligible for AWG.

## AGENCY COMMENTS

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

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed applicable Federal laws and sections of the *Social Security Act* and the Social Security Administration’s (SSA) regulations, policies, and procedures.
- Reviewed applicable Program Operations Manual System policies and operating instructions relevant to our audit.
- Reviewed Office of the Inspector General reports, Government Accountability Office reports, and other relevant documents.
- Reviewed SSA’s Treasury Report on Receivables and Debt Collection Activities for Fiscal Years 2011 to 2014.
- Reviewed the Department of the Treasury’s *Fiscal Year 2013 Report to the Congress U.S. Government Receivables and Debt Collection Activities of Federal Agencies*, July 2014.
- Obtained, in October 2013, a data extract from the Non-Entitled Debtors (NED) database that included 11,208 debtors with 11,251 delinquent debts totaling approximately \$40.1 million. Of the 11,208 debtors, 10,653 had \$36.5 million in delinquent debts that were active for debt recovery and 555 debtors had \$3.6 million in delinquent debts that were not active for debt recovery.
- From the 11,251 debts, we excluded debts that were over 10-years-old,<sup>1</sup> inactive, and had a balance of less than \$200. Further, we excluded debts where the debtors were deceased. Our population was reduced to 7,000 debtors with 7,025 debts totaling about \$22 million. Our audit focused on SSA’s use of benefit withholdings and Administrative Wage Garnishment to recover delinquent debts included in the NED database. Therefore, we compared the debtors to SSA’s Master Beneficiary Record and Master Earnings File. We identified 633 debtors who were receiving Title II benefits as of March 2014, and 584 debtors who earned at least \$15,000 in Tax Year 2012. We did not review SSA’s use of the Treasury Offset Program because it was being reviewed as part of a separate audit.<sup>2</sup>
- For the cases in our population, we reviewed SSA’s Recovery of Overpayments Accounting and Reporting System, Master Beneficiary Record, Numident, External Collection Operation, Representative Payee System, Debt Management System, and Claims File Records Management System.

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<sup>1</sup> We included 223 debtors with debts that were over 10-years-old as part of our population because the debtors were receiving benefits and may have been eligible for benefit withholding prior to the 10-year limitation.

<sup>2</sup> SSA OIG, *The Social Security Administration’s Use of the Treasury Offset Program* (A-04-14-14104).



We conducted this audit at the Philadelphia Audit Division, Philadelphia, Pennsylvania, from May 2014 through April 2015. We tested the data obtained for our audit and determined they were sufficiently reliable to meet our objective. The entities audited were the Office of Payment and Recovery Policy under the Office of the Deputy Commissioner for Budget, Finance, Quality, and Management and the Office of Retirement and Survivors Insurance Systems under the Office of the Deputy Commissioner for Systems. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

## Appendix B – AGENCY COMMENTS

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## SOCIAL SECURITY

### MEMORANDUM

**Date:** July 29, 2015 **Refer To:** S1J-3

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

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

**Subject:** Office of the Inspector General Draft Report, "Non-Entitled Debtors Program" (A-03-14-24024)--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

**SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, “NON-ENTITLED DEBTORS PROGRAM” (A-03-14-24024)**

We take seriously our responsibility to recover overpayments in our programs. Our strategy for improving our debt collection program is to focus on the techniques that provide direct collections from revenue sources and changes that we can easily integrate into existing systems. In keeping with this strategy, we have worked steadily to build the strong debt collection program we now employ. 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. Contingent on resources being available, we plan to enhance our overpayment reporting and collections through an information technology Overpayment Redesign Project. As indicated in this report, we also plan to pursue the resources needed to implement the remaining phases of the Non-Entitled Debtor Program.

**Recommendation 1**

Ensure system alerts are generated for cases that meet the criteria for benefit withholding as required by policy and remind field office employees to timely resolve such alerts.

**Response**

We agree. On March 31, 2015, we tested the NED file that we input into the Processing Center Action Control System (PCACS) jobs that produce the PCACS alerts. We determined that the NED system is generating the alerts used for PCACS as designed. We also agree to remind employees to resolve NED alerts via an Administrative Message by October 2015.

**Recommendation 2**

Delete \$121,000 in delinquent debts from the 33 beneficiaries’ records where the debts were satisfied or transferred to the NED’s record.

**Response**

We agree. We will take action on the 33 beneficiaries’ records by March 31, 2016.

**Recommendation 3**

Remind employees to follow SSA’s policy and procedures when deleting debts that have been satisfied.

**Response**

We agree. We will remind employees to resolve NED alerts by issuing an Administrative Message by October 1, 2015.

**Recommendation 4**

Correct the system error with ROAR to ensure the Agency pursues recovery of delinquent debts owed by the correct liable person.

**Response**

We agree. We completed this correction on March 6, 2015.

**Recommendation 5**

Take action on the 24 cases to determine if they are eligible for AWG.

**Response**

We agree. We will complete the actions by September 30, 2015.

## Appendix C – MAJOR CONTRIBUTORS

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