
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FOLLOW-UP: THE SOCIAL SECURITY
ADMINISTRATION'S CONTROLS OVER
SUSPENDING COLLECTION EFFORTS ON
TITLE XVI OVERPAYMENTS**

September 2009

A-04-09-19039

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: September 2, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Follow-up: The Social Security Administration's Controls over Suspending Collection Efforts on Title XVI Overpayments (A-04-09-19039)

OBJECTIVE

Our objectives were to evaluate the Social Security Administration's (SSA) controls over suspending the collection of Title XVI overpayments and determine whether personnel complied with existing policies and procedures. Additionally, we determined the status of corrective actions SSA took to address recommendations in our April 2005 report, *The Social Security Administration's Controls over the Suspension of Title XVI Overpayment Collection Efforts*.

BACKGROUND

Title XVI of the *Social Security Act* established the Supplemental Security Income (SSI) program to provide income to financially needy individuals who are aged, blind, or disabled.¹ To determine an individual's initial eligibility for the program, payment amounts, and periodic payment redeterminations, SSA relies heavily on the individual's self-disclosure of all his or her income sources. Because an SSI recipient's determination factors, such as financial status, marital status, and living arrangements, frequently vary over time, SSI payments may be error-prone and result in overpayments.

When a Title XVI overpayment occurs, SSA can suspend collection of the debt in certain situations. Specifically, collection efforts can be suspended when a recipient is not in current payment status and previous collection efforts have determined the individual is *unable to repay*, *unwilling to repay*, *cannot be located*, or *is out of the country*. Suspension decisions allow SSA to stop unproductive collection efforts. Because a suspended overpayment is not waived or written off as uncollectible, SSA

¹ The *Social Security Act*, §§ 1601-1637, 42 U.S.C. §§ 1381-1383f.

has the option to initiate collection efforts at a later date if a change in the debtor's² status may lead to some collection of the overpayment.

Our April 2005 report made recommendations to address control weaknesses and inefficiencies in SSA's process to suspend efforts on Title XVI overpayment collections. In response to the report, SSA agreed to the following.

- Issue a reminder and, if necessary, further guidance to SSA staff requiring that they fully develop and document overpayment suspension decisions, as required by SSA policy.
- Instruct Debt Management and field office supervisors to periodically review overpayment suspension decisions to ensure staff complies with SSA requirements.
- Ensure all overpayment suspension decisions exceeding established thresholds are reviewed and approved by appropriate SSA management officials, as required by SSA policy.
- Periodically match debtors' and representative payees' earnings to suspended overpayments to identify instances in which some repayment of the debt is possible.
- Consider clarifying existing guidance and/or issuing further guidance allowing the collection of overpayments from a representative payee who is a parent of a minor child/beneficiary.

See Appendix B for the scope and methodology of our review.

RESULTS OF REVIEW

SSA took action on three of the recommendations from our April 2005 report. According to SSA, funding limitations have delayed development of an automated system that would address the remaining two recommendations. SSA's corrective actions resulted in some improvement in the error rates. However, our current audit found similar conditions continued to exist. In our previous report, we found that 52 percent of the suspension decisions tested did not have documentation to justify the action. Also, for those decisions that required management approval, 87 percent had no evidence of the approval. Our current audit found that the error rates had declined to 33 and 34 percent, respectively. Moreover, our previous report found that 66 percent of suspension decisions had at least one compliance error. The current review found that this error rate had declined to 45 percent.

Our current review of 150 Fiscal Year (FY) 2007 Title XVI overpayment suspensions (\$3,000 or more) found that SSA staff did not always comply with Agency policies and

² For reporting purposes, the term debtor is used to define a recipient of Title XVI payments to which he/she was not entitled and therefore is indebted to SSA.

procedures to ensure collection suspensions were appropriate. Specifically, SSA did not always (1) document the justification for suspension decisions or (2) obtain required management approval before suspending an overpayment. Additionally, we identified instances where SSA personnel suspended overpayments when debtors or the debtors' representative payees had reported earnings that may have enabled some repayment. Finally, SSA personnel suspended some debts and classified the debtors as *unable to locate* or *out of the country*, but we found no evidence SSA attempted to contact the debtor or the debtor's representative payee through their current employer. In total, 67 (44.6 percent) of the 150 suspension decisions reviewed had 1 or more noncompliance errors. Based on our results, for FY 2007 suspension decisions greater than \$3,000, we estimate for 5,120 cases totaling about \$45.9 million, SSA personnel did not follow policies and procedures when it suspended overpayment collection efforts.

Additionally, in a separate test of 50 beneficiaries who had multiple overpayment suspension decisions (totaling \$3,000 or more) in a 7-day period, we identified similar noncompliance issues. For 18 (36 percent) of the 50 beneficiaries, SSA personnel did not justify or properly approve the suspension decisions. Also, for 2 (4 percent) of the 50 beneficiaries, SSA personnel split the overpayments before processing the suspension decisions—possibly to circumvent SSA's required management approval process.³ For beneficiaries with multiple suspension decisions in FY 2007, we estimate for 1,380 cases totaling about \$6.3 million, SSA personnel did not follow policies and procedures when it suspended overpayment collection efforts.

SSA PERSONNEL DID NOT ALWAYS DOCUMENT THEIR DEVELOPMENT OF, AND JUSTIFICATION FOR, SUSPENDING COLLECTION EFFORTS

SSA personnel did not always document efforts to collect overpayments it subsequently suspended. SSA's policies and procedures required that both program service center and field office staff document the development of, and justification for, a suspension decision.⁴ However, for 49 (32.6 percent) of 150 FY 2007 overpayment suspensions, SSA personnel did not maintain relevant and sufficient documentation. We estimate that 3,520 FY 2007 overpayment suspension decisions, totaling about \$22.5 million, were not adequately documented. See Appendix C for our estimation methodology.

³ SSA, Program Operations Manual System (POMS), SI 02220.005.A. Field office management is required to review and approve the overpayment decisions through a "2-PIN" process, if the overpayment suspension is \$2,000.01 or more.

⁴ SSA, POMS, GN 02210.217 and SI 02220.005.A.

SSA policies require that personnel take certain actions before suspending collection efforts on Title XVI overpayments. Documentation should have been available indicating that the required steps were performed, such as the following.

- SSA requires that debtors who state they are *unable to pay* submit personal financial information for review. Information that should be obtained and analyzed includes the debtor's income,⁵ expenses, and other resources. If SSA determines sufficient funds are not available, the debt may be suspended for inability to pay.⁶ However, we did not always find documentation showing analysis of the debtor's financial information.
- When a debt exceeds \$3,000 and the debtor refuses to provide financial information or is *unwilling to pay*—SSA is required to check the debtor's master earnings record to determine whether the debtor may have earnings that enable them to make some repayment. For the *unwilling to repay* suspension decisions tested, we did not always find evidence that SSA personnel reviewed the debtor's earnings records.
- To locate a debtor, SSA should rely on information from internal sources and other available outside sources, such as credit bureaus, the U.S. Postal Service, and State Departments of Motor Vehicles.⁷ SSA personnel are required to pursue all reasonable leads in locating a debtor.⁸ SSA's Master Earnings File⁹ (MEF) can be used to locate a debtor. If efforts to locate the debtor are unsuccessful, SSA personnel are required to contact the debtor through the employer.¹⁰ However, we did not always find evidence of such contacts or attempts to locate the debtors.

In our prior report, we made two recommendations to address these matters: (1) issue a reminder and, if necessary, further guidance to SSA debt collection staff requiring that they fully develop and document overpayment suspension decisions; and (2) instruct Debt Management and field office supervisors to periodically review overpayment suspension decisions. SSA issued an Administrative Message and revised policy as recently as April 2009 on documenting the overpayment decisions. However, our current review found many suspension decisions still lacked documentation to justify the decision. We believe program service center and field office staffs must be more diligent when processing these actions.

⁵ SSA, POMS, GN 02210.217.

⁶ SSA, POMS, GN 02210.217.B.

⁷ SSA, POMS, GN 02210.213.B.3.

⁸ SSA, POMS, SI 02220.051.A.1.

⁹ The MEF is an SSA database that contains Social Security numberholders' recorded earnings.

¹⁰ SSA, POMS, SI 02220.051.e.

SSA MANAGEMENT DID NOT ALWAYS DOCUMENT ITS REVIEW OF SUSPENSION DECISIONS AS REQUIRED

Of the 150 *unable to pay, unwilling to pay, or unable to locate or out of the country* suspension decisions reviewed, 47 required management approval.¹¹ However, we found no evidence that 16 (34 percent) of the 47 suspension decisions were approved. Based on our results, we estimate that 1,260 FY 2007 overpayment decisions, totaling \$22.6 million, did not have documented supervisory approvals. See Appendix C for our estimation methodology.

Of the 16 suspension decisions, 2 exceeded \$20,000. In one case, a Debt Specialist at an SSA program service center improperly suspended collection efforts on a \$106,790 overpayment. According to SSA policy, the Assistant Regional Commissioner for Processing Center Operations must forward debts over \$100,000 to the Department of Justice for approval to suspend the overpayment. We found no evidence the case was forwarded to the Department of Justice. In the second case, a Debt Specialist suspended a \$21,085 overpayment. For debts between \$20,001 and \$100,000, SSA policy requires that an Assistant Regional Commissioner approve the decision.¹² We found no evidence of the approval.

Field office staff processed 14 of the 16 suspension decisions that lacked management approval. Field office management is required to review and approve the overpayment decisions greater than \$2,000¹³ through a "2-PIN"¹⁴ process. However, for these 14 suspension decisions, we found no evidence of a second personal identification number (PIN) that approved the decisions.

Our prior report recommended that SSA management review and approve overpayment suspension decisions when established dollar thresholds are exceeded. SSA agreed with this recommendation and explained that the 2-PIN process for field office staff was implemented in 2004. Nevertheless, suspension decisions over \$2,000 were being processed without a manager's approval. SSA staff explained that when the 2-PIN process was first implemented, some decisions were processed without a second PIN, but SSA had taken actions to rectify the problem.

¹¹ According to SSA, POMS, GN 02210.217.D.2.b, suspension decisions of \$3,000 to \$20,000 made at a program service center do not require management approval if the decision was processed by staff at a Debt Specialist level or higher. SSA does not have an automated procedure for program service center management to approve staff decisions made to resolve overpayments.

¹² SSA, POMS, GN 02210.217.D.2.c.

¹³ SSA, POMS, SI 02220.005.A.

¹⁴ Staff enter, but do not transmit, the disposition decision. Office management must review the decision. If approved, management enters a PIN to document the review. The decision is then posted to SSA's systems.

For the 14 cases identified in our current review, SSA staff explained that the suspension decisions were “controlled” through the Recovery and Collection of Overpayments System (RECOOP),¹⁵ which is used at the program service center level or in certain situations by field offices. Staff further explained that when overpayments are controlled by RECOOP, suspension decisions made at field offices are not subject to the 2-PIN process. SSA representatives explained that the reasoning behind the procedure was that SSA had no data to indicate there was either “decisional” or “documentation” errors in RECOOP overpayment disposition decisions. However, we found 11 of the 14 suspension decisions had documentation and/or decisional errors.

SSA agreed that policy in effect during our audit period required the 2-PIN approval process for suspension decisions made at the field office level. However, in May 2009, SSA’s revised policy officially eliminated the 2-PIN approval process for suspension decisions controlled by RECOOP. SSA’s statement that this category of suspension decisions was not error-prone is inconsistent with our audit results. Accordingly, we encourage SSA to reconsider this revision to its May 2009 policy.

SSA PERSONNEL SUSPENDED OVERPAYMENTS WHEN DEBTORS OR REPRESENTATIVE PAYEES HAD EARNINGS

Of the 100 cases in which SSA suspended collection efforts because the debtor was *unable or unwilling to repay*, we determined 20 (20 percent) debtors or their representative payees had earnings that may have been sufficient to enable some repayment of the debt. We are aware that earnings are only part of the debtor’s overall financial position, as expenses and other assets are also factors and affect SSA’s decision to suspend an overpayment based on inability to repay. However, based on our results, we estimate that, for 2,140 FY 2007 suspension decisions totaling about \$13.2 million, SSA did not identify debtors’ or their representative payees’ earnings, which may have been sufficient to make some repayment of the debt possible. See Appendix C for our estimation methodology.

Debtors Individually Responsible for Overpayments

For 6 of the 20 suspension decisions, the beneficiary had reported earnings when the overpayments were suspended. The annual earnings information available to SSA staff at the time of the suspension decision for these six beneficiaries ranged from \$15,416 to \$40,940.

¹⁵ RECOOP is a billing and follow-up system used in SSA’s debt management process. RECOOP consolidates and controls all debt management activities for certain Title II and Title XVI overpayments. RECOOP interfaces with SSA’s Supplemental Security Record (Title XVI) system and the billing and remittance functions of the Debt Management System.

We acknowledge that, because of annual wage reporting timeframes, current year earnings are frequently not available to SSA until the third quarter of the following year. As a result, SSA staff may have had only Tax Year (TY) 2005 earnings available when some of the FY 2007 suspension decisions were made. However, we determined that SSA debt collection staff had TY 2005 earnings available for six cases. Further, each of the six debtors had continued employment for TYs 2005 through 2007 with the same employer. We believe 3 consecutive years of earnings is an indication of continuing employment that should have been considered in determining whether the debtors were capable of some repayment. Table 1 details the debtors' earnings that were available to SSA staff when the overpayment was suspended and demonstrates the debtors' earnings continued over the 3-year period 2005 through 2007.

Table 1: Earnings Data Available When Overpayments Were Suspended

	Overpayment Amount	Date Suspended	Reported Earnings TY 2005	Reported Earnings TY 2006	Reported Earnings TY 2007
1	\$3,835	03/15/07	\$25,549	\$29,920	\$37,312
2	5,209	03/15/07	25,549	29,920	37,312
3	4,247	03/29/07	38,365	50,537	60,217
4	3,615	09/24/07	28,196	40,940	43,638
5	3,590	10/06/06	15,416	18,073	17,519
6	3,055	10/17/06	15,972	16,949	22,552
Legend: Earnings shaded in purple indicate the debtor earnings available when the overpayment was suspended					

Our prior report recommended that SSA periodically match debtor earnings to suspended overpayment decisions to identify instances in which some repayment of the debt is possible. SSA responded that administrative wage garnishment was implemented as a debt collection tool in December 2004. This tool enables SSA to identify debtor wages and attempt to recover debts from wages. However, for these six cases, we found no evidence SSA considered or took administrative wage garnishment actions.

Representative Payees Who May Have Been Responsible for Overpayments

In 16¹⁶ of the 20 suspension decisions, the debtor's representative payee, who may have been responsible for the overpayment, had sufficient earnings to repay some or all of the debt. For all 16 suspensions, the representative payee was the parent or relative of a minor child/beneficiary or a mentally disabled adult. Further, the representative payees were managing the beneficiaries' funds when the overpayments occurred. According to SSA policy, personnel may attempt to recover an overpayment from the beneficiary's representative payee and should attempt to determine whether the representative payee is solely or jointly liable for the overpayment.¹⁷ Given that in all 16 cases, the representative payee was the parent or a relative of a minor child or mentally disabled adult at the time of the overpayment, we believe it is reasonable to expect the parent or relative was responsible for the overpayment.

Our review of SSA's earnings records found the representative payees' most recent annual earnings available to SSA staff at the time of the suspension decisions ranged from \$12,252 to \$70,036. Although the earnings indicate the representative payees may have been able to repay some of the debt, for the 16 cases, we found no evidence that SSA evaluated the representative payees' overall financial conditions to determine whether they were able to pay. We reviewed SSA's earnings file for TYs 2005 through 2007 and found all 16 representative payees had earnings in each of the TYs. Further, when the suspension decisions were made, SSA debt collection staff had available to them the TY 2005 earnings available for the 16 cases and TY 2006 earnings for 14 of the 16 cases. The pattern of continued earnings could indicate the representative payees had some ability to repay the debts.

Table 2 provides details of the representative payee earnings that were available to SSA staff when the overpayment was suspended and demonstrates that the representative payees' earnings generally continued and were consistent over the 3-year period 2005 through 2007.

¹⁶ For two of the suspension decisions, both the beneficiary and the representative payee had earnings. The beneficiary and representative payee earnings are Items 1 and 2 in Tables 1 and 2.

¹⁷ According to SSA, POMS SI 02201.020 B.3.b., SSA may attempt to recover an overpayment from a representative payee when the overpaid funds (1) were not used for the overpaid individual's support and maintenance and (2) were used for the overpaid individual's support and maintenance and the payee was aware of the facts causing the overpayment.

Table 2: Representative Payee Earnings Available When Overpayments Were Suspended

	Overpayment Amount	Date Suspended	Debtor/ Representative Payee Relationship	Reported Earnings TY 2005	Reported Earnings TY 2006	Reported Earnings TY 2007
1	\$3,835	03/15/07	Relative	\$46,915	\$70,036	\$70,625
2	5,209	03/15/07	Relative	46,915	70,036	70,625
3	10,515	03/15/07	Mother	14,181	18,247	23,494
4	10,866	06/04/07	Father	23,768	38,644	41,389
5	4,126	07/18/07	Mother	35,115	43,407	45,981
6	21,085	05/03/07	Relative	18,141	24,895	25,722
7	3,095	04/26/07	Relative	55,633	54,369	54,001
8	6,944	09/06/07	Mother	26,265	19,008	24,907
9	11,799	05/15/07	Mother	35,398	41,289	39,973
10	3,277	04/12/07	Mother	17,736	19,133	19,565
11	6,934	03/06/07	Mother	19,087	16,150	23,063
12	3,174	04/16/07	Mother	15,646	18,802	30,375
13	3,571	05/29/07	Father	55,357	12,252	45,594
14	6,049	10/27/06	Mother	18,180	21,091	20,590
15	3,170	09/28/07	Mother	25,867	22,446	23,251
16	5,016	08/03/07	Mother	28,710	16,908	26,643

Legend: Earnings shaded in purple indicate the debtor earnings available at the time the overpayment was suspended.

Because it appeared the parent/relative managed these benefits, we believe it is reasonable that SSA more aggressively collect overpayments from the representative payee when they have earnings.

Our prior report made two recommendations related to SSA improving its collection efforts from beneficiaries who had representative payees with earnings. First, we recommended that SSA consider clarifying or issuing further guidance for collecting overpayments from a representative payee who is a parent of a minor child/beneficiary. Second, we recommended that SSA personnel match representative payees' earnings to suspended overpayment decisions to identify instances in which some repayment of the debt is possible. In responding to both recommendations, SSA stated it planned to implement the Non-Entitled Debtor (NeD) system to assist in recovering Title XVI debts from representative payees. However, SSA's response did not state that an implementation date had been established for the Title XVI segment of NeD. The project was proposed for FY 2009 funding but was not approved. The project will be resubmitted for FY 2010 funding.

MORE THOROUGH COLLECTION EFFORTS MAY HAVE LOCATED DEBTORS

For 5 (10 percent) of the 50 suspended overpayments in which SSA recorded the reason for the decision as *unable to locate* or *out of the country*, we believe SSA may have been able to locate the debtors through their, or their representative payees', employer. In some cases, SSA attempted to contact the debtor or the debtor's representative payee but was unsuccessful. However, we did not find evidence in the five suspension decisions that SSA attempted to contact the debtors' or representative payees' employers. Accordingly, based on our results, we estimate that, in FY 2007, 120 debtors with *unable to locate* overpayment suspension decisions totaling about \$749,240 may have been located by contacting the debtors' or representative payees' employer.

For one of the five suspension decisions, the beneficiary had earnings in TYs 2005 and 2006 that were available to SSA when the overpayment was suspended. Additionally, according to SSA's earnings records, the beneficiary had earnings from the same employer for TYs 2005 through 2007. The other four beneficiaries were children or an adult/child who had a parent as their representative payee. Although SSA's staff documented that the representative payees could not be located, TY 2005 and 2006 earnings were available when they made suspension decisions for all four of the representative payees. Further, the four representative payees had earnings from the same employer for TYs 2005 through 2007. We found no evidence that SSA attempted to locate the representative payees by contacting their employer.

SSA policy states that personnel should rely on information from internal sources to locate a debtor.¹⁸ SSA's Supplemental Security Record (SSR) identifies whether a beneficiary has a representative payee and, if so, the representative payee's name and Social Security number. Additionally, records in the Agency's MEF indicate whether a beneficiary or representative payee had earnings posted to his or her record. If so, the MEF also provides the name and location of the employer who reported these earnings. According to SSA policy, if previous collection efforts were unsuccessful in locating the debtor, SSA staff is to contact the employer(s).¹⁹ However, SSA policy does not require that personnel exhaust all available resources to locate a debtor,²⁰ therefore, SSA may not always use the MEF. We believe it is essential that SSA personnel use all internal sources to locate debtors. Accordingly, SSA should revise its policy to require the use of all internal sources when locating debtors.

Given that the beneficiary and the representative payees had the same employer for 3 consecutive years, we believe it is reasonable to expect that SSA staff could have located the beneficiary and representative payees had they contacted the employer.

¹⁸ SSA, POMS, GN 02210.213 B.3 and SI 02220.051.

¹⁹ SSA, POMS, SI 02220.051.e.

²⁰ SSA, POMS, GN 02210.213.B.3.

Had SSA been able to locate the debtors or the debtors' representative payees, it may have been able to collect some portion of the debt.

In our prior report, we recommended that SSA instruct Debt Management and field office supervisors to periodically review overpayment decisions to ensure staff comply with policy. SSA agreed with the recommendation and took corrective actions. In our prior report, for 18.7 percent of suspension decisions in our *unable to locate* or *out of the country* sample, the debtors or representative payees had earnings histories that may have enabled SSA staff to locate them. In our current review, the percentage of suspension decisions with this issue had dropped to 10 percent. It appeared SSA had made progress in this area. However, we again emphasize that SSA should ensure that all efforts to locate debtors are exhausted before suspending overpayments.

BENEFICIARIES WITH MULTIPLE SUSPENSION DECISIONS IN A 7-DAY PERIOD

Occasionally, beneficiaries have multiple overpayments. If efforts to collect the overpayments are unsuccessful, SSA may decide to suspend collection efforts on all of the overpayments on a single day or over a period of just a few days. We tested 50 of 193 beneficiaries who had multiple decisions in a 7-day period (FY 2007) that totaled \$3,000 or more. Our tests determined whether overpayments were split before the suspension decisions were processed and the decisions complied with policy.

For 2 of the 50 beneficiaries, the overpayments were split before the suspension decisions were processed. One beneficiary had two overpayments totaling \$2,205 and \$2,047. The \$2,205 overpayment was split into \$637 and \$1,568 suspension decisions, and the \$2,047 was split into \$1,800 and \$247 decisions. Another beneficiary's \$3,325 overpayment was split into suspension decisions of \$1,500 and \$1,825. All suspension actions occurred at field offices. Also, for both beneficiaries, we found no evidence that staff attempted the required collection efforts before suspending the overpayments.

By splitting the overpayments into separate suspension decisions—each under \$2,000.01—management approval was no longer required. According to SSA policy, field office management is required to approve suspension decisions of \$2,000.01 or more.²¹ We estimate in FY 2007, 160 beneficiaries had overpayment decisions split to dollar thresholds that did not require management approval that totaled \$654,960. We acknowledge the error rate is minimal. However, SSA staff should be cognizant that overpayments should not be split when taking recovery actions.

Also, for 18 (36 percent) of the 50 beneficiaries, the suspension decisions were neither justified nor properly approved. Based on our results, we estimate in FY 2007, 1,380 beneficiaries had multiple suspension decisions totaling \$6.30 million that did not comply with policy.

²¹ SSA, POMS, SI 02220.005.

CONCLUSION AND RECOMMENDATIONS

SSA took action on three of the recommendations in our prior report. The Agency agreed with our other two recommendations, but funding limitations delayed development of an automated system that would address the recommendations. Although SSA completed corrective actions on three of the recommendations, we still found similar conditions identified in the prior report.

SSA did not always (1) document the justification for suspending overpayment collection efforts or (2) obtain the required management approval before suspending an overpayment. On occasion, SSA personnel suspended collection efforts when debtors or the debtors' representative payees had reported earnings that may have enabled some repayment. Also, SSA personnel suspended collections of some debts and classified the debtors as *unable to locate* or *out of the country* even though we did not find evidence SSA attempted to contact the debtor or the debtor's representative payee through his or her current employer.

Finally, we found similar issues with beneficiaries who had multiple decisions to suspend overpayment collections in a 7-day period. For 18 of the 50 beneficiaries, the suspension decisions were either not justified or properly approved.

To avoid duplication, we are not restating the unimplemented recommendations from our previous report. However, we reiterate the need for SSA to ensure staff complies with SSA requirements by requiring Debt Management supervisors to periodically review decisions to suspend collection of overpayments; ensure all overpayment suspension decisions exceeding established thresholds are reviewed and approved by appropriate SSA management officials, as required by policy; and periodically match debtors' and representative payees' earnings to suspended overpayments to identify instances in which some repayment of the debt is possible.

Additionally, we recommend that SSA:

1. Continue to urge staff compliance with existing policy when suspending Title XVI overpayments and hold accountable those employees who do not follow established criteria.
2. Consider revising its May 2009 policy to require the 2-PIN process for suspension decisions controlled by RECOOP.
3. Revise policy to require the use of all internal resources to locate a debtor.

AGENCY COMMENTS AND OIG RESPONSE

The Agency agreed with our recommendations. The full text of the Agency's comments is included in Appendix D.

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

Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

Acronyms

FY	Fiscal Year
MEF	Master Earnings File
NeD	Non-Entitled Debtor
PIN	Personal Identification Number
POMS	Program Operations Manual System
RECOOP	Recovery and Collection of Overpayments System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
TY	Tax Year
U.S.C.	United States Code

Scope and Methodology

We reviewed 200 randomly selected overpayment suspension decisions from Fiscal Year (FY) 2007 that were in suspended status as of July 3, 2008. We sampled 50 suspension decisions over \$3,000 from each of the 3 suspension categories: (1) *unable to locate or out of the country*, (2) *unable to repay*, and (3) *unwilling to repay*. We also randomly selected 50 beneficiaries who had multiple suspension decisions in a 7-day period that totaled \$3,000 or more. We reviewed each overpayment suspension decision for appropriateness as defined in the Program Operations Manual System. We also

- reviewed applicable Federal laws and regulations, as well as SSA's policies and procedures, that govern overpayment suspensions under Title XVI of the *Social Security Act*;
- reviewed prior Office of the Inspector General reports that pertain to Supplemental Security Income overpayments;
- queried and reviewed overpayment suspension information from SSA's Modernized Supplemental Security Income Claims System, Modernized Development Worksheet, and Debt Management System; and
- queried and reviewed debtors' and representative payees' earnings data from SSA's Master Earnings File.

We performed our audit work in Atlanta, Georgia, and Baltimore, Maryland, from July 2008 to March 2009. The electronic data used for this audit were sufficiently reliable to meet the objectives of our audit. The entities audited were the Offices of the Deputy Commissioners for Budget, Finance and Management; Operations; and Retirement and Disability Policy. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sampling Methodology and Results

Sampling Methodology

In total, we reviewed 200 randomly selected overpayment suspension decisions from Fiscal Year (FY) 2007 that remained in suspended status as of July 3, 2008. Our review consisted of 50 suspension decisions over \$3,000 from each of the 3 suspension categories: (1) *unable to locate or out of the country*, (2) *unable to repay*, or (3) *unwilling to repay*. We also randomly selected 50 beneficiaries who had multiple suspension decisions in a 7-day period that totaled \$3,000 or more.

We selected the samples from data queried from segment 15 of the Supplemental Security Record (SSR). The SSR is divided into 20 segments based on the last 2 digits of the beneficiaries' Social Security numbers. SSA has concluded the results determined from any 1 segment are representative of the entire 20 segments in the SSR.

Our audit tested more than one control attribute for each suspension decision. For example, we determined whether each decision was (1) adequately documented to evidence the reasoning/justification for the suspension and (2) approved by the appropriate level of management. As a result, some suspensions have more than one reportable issue and are included in one or more of the Sampling Results sections below. However, when estimating the overall number of suspension decisions with errors, we counted only one error for each case.

Supplemental Security Record - Segment 15 Data

Suspension Decisions—\$3,000 or Greater						
Suspension Decision	Total Number of Suspensions	Total Dollars	Number of Suspensions Equal to or Greater Than \$3,000	Percent of Suspensions Equal to or Greater Than \$3,000	Dollars of Suspensions Equal to or Greater Than \$3,000	Percent of Suspension Dollars Equal to or Greater Than \$3,000
Unwilling to Pay	1,581	\$4,794,799	249	15.8	\$1,853,300	38.7
Unable to Repay	2,585	\$4,129,563	331	12.8	\$2,453,458	59.4
Unable to Locate/Out of The Country	767	\$960,577	63	8.2	\$425,710	44.3

Beneficiaries with Multiple Suspension Decisions in a 7-Day Period that Totaled \$3,000 or Greater					
Total Number of Beneficiaries with Multiple Suspensions	Total Dollars	Number of Beneficiaries with Multiple Suspensions Totaling \$3,000 or Greater	Percent of Beneficiaries with Multiple Suspensions Totaling \$3,000 or Greater	Dollars of Beneficiaries with Multiple Suspensions Totaling \$3,000 or Greater	Percent of Beneficiary Dollars with Multiple Suspensions Totaling \$3,000 or Greater
3,281	\$3,176,278	193	5.8	\$968,887	30.5

Population and Sample Selection

Suspension Decisions—\$3,000 or Greater				
Suspension Decision	Population of Suspension Decisions	Population Dollars	Sample Size	Sample Dollars
Unwilling to Pay	249	\$1,853,300	50	\$348,666
Unable to Repay	331	\$2,453,458	50	\$424,268
Unable to Locate/Out of the Country	63	\$425,710	50	\$336,615

Beneficiaries with Multiple Suspension Decisions in a 7-Day Period that Totaled \$3,000 or Greater				
Beneficiaries	Population of Beneficiaries	Population Dollars	Sample Size	Sample Dollars
Multiple suspension decisions within a 7-day period	193	\$968,887	50	\$224,486

Sampling Results

Overall Results – Suspension Decisions in Which At Least One Attribute Did Not Comply with SSA’s Policies and Procedures

Suspension Decisions—\$3,000 or Greater			
Total Estimated Suspension Decisions – At Least One Attribute Did Not Comply with SSA’s Policies and Procedures			
Suspension Decision	Non-Compliant Suspension Decisions	Estimate to Universe (Decisions)	Estimate to Universe (Dollars)
Unwilling to Pay	29	2,880	\$22,651,040
Unable to Repay	12	1,580	\$19,186,040
Unable to Locate/Out of the Country	26	660	\$4,118,320
Total	67	5,120	\$45,955,400

Beneficiaries with Multiple Suspension Decisions in a 7-Day Period that Totaled \$3,000 or Greater			
Total Estimated Beneficiaries – At Least One Attribute Did Not Comply with SSA’s Policies and Procedures			
Beneficiaries	Non- Compliant Suspension Decisions	Estimate to Universe (Decisions)	Estimate to Universe (Dollars)
Multiple Suspension Decisions in a 7-Day Period that Totaled \$3,000 or Greater	18	1,380	\$6,326,840

Suspension Decisions—\$3,000 or Greater		
Unwilling to Pay Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	249	\$1,853,300
Sample Size	50	\$348,666
Suspension Decisions in Which at Least One Attribute Did Not Comply with Policies and Procedures	29	\$213,057
Percentage of Sample	58.00	61.11
Estimate to Population	144	\$1,132,552
Estimate to the Universe (20 Segments)	2,880	\$22,651,040

Suspension Decisions—\$3,000 or Greater		
Unable to Repay Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	331	\$2,453,458
Sample Size	50	\$424,268
Suspension Decisions in Which at Least One Attribute Did Not Comply with Policies and Procedures	12	\$165,875
Percentage of Sample	24.00	39.10
Estimate to Population	79	\$959,302
Estimate to the Universe (20 Segments)	1,580	\$19,186,040

Suspension Decisions—\$3,000 or Greater		
Unable to Locate or Out of the Country Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	63	\$425,710
Sample Size	50	\$336,615
Suspension Decisions in Which at Least One Attribute Did Not Comply with Policies and Procedures	26	\$162,814
Percentage of Sample	52.00	48.37
Estimate to Population	33	\$205,916
Estimate to the Universe (20 Segments)	660	\$4,118,320

Beneficiaries		
Multiple Suspension Decisions in a 7-Day Period Totaling \$3,000 or More		
	Beneficiaries	Dollars
Total Segment Population	193	\$968,887
Sample Size	50	\$224,486
Beneficiaries in Which at Least One Suspension Decision Did Not Comply with Policies and Procedures	18	\$73,284
Percentage of Sample	36.00	32.65
Estimate to Population	69	\$316,342
Estimate to the Universe (20 Segments)	1,380	\$6,326,840

SSA Did Not Always Maintain Documentation of Its Development of and Justification for Suspending Collection Efforts

Suspension Decisions—\$3,000 or Greater			
Total Estimated Suspension Decisions – SSA’s Collection Efforts Did Not Document the Justification for Suspending Collection Efforts			
Suspension Decision	Undocumented Suspension Decisions	Estimate to Universe (Decisions)	Estimate to Universe (Dollars)
Unwilling to Pay	19	1,900	\$14,125,860
Unable to Repay	8	1,060	\$4,833,320
Unable to Locate/Out of the Country	22	560	\$3,578,520
Total	49	3,520	\$22,537,700

Suspension Decisions—\$3,000 or Greater		
Unwilling to Pay Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	249	\$1,853,300
Sample Size	50	\$348,666
Suspension Decisions Not Documented	19	\$132,865
Percentage of Sample	38.00	38.11
Estimate to Population	95	\$706,293
Estimate to the Universe (20 Segments)	1,900	\$14,125,860

Suspension Decisions—\$3,000 or Greater		
Unable to Repay Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	331	\$2,453,458
Sample Size	50	\$424,268
Suspension Decisions Not Documented	8	\$41,779
Percentage of Sample	16.00	9.85
Estimate to Population	53	\$241,666
Estimate to the Universe (20 Segments)	1,060	\$4,833,320

Suspension Decisions—\$3,000 or Greater		
Unable to Locate or Out of the Country Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	63	\$425,710
Sample Size	50	\$336,615
Suspension Decisions Not Documented	22	\$141,479
Percentage of Sample	44.00	42.03
Estimate to Population	28	\$178,926
Estimate to the Universe (20 Segments)	560	\$3,578,520

SSA Did Not Always Maintain Documentation of Management Review of Suspension Decisions as Required

Suspension Decisions—\$3,000 or Greater			
Total Estimated Suspension Decisions – SSA Management Did Not Document Their Review for Suspension Decisions Greater than \$3,000			
Suspension Decision	Unsupported Suspension Decisions	Estimate to Universe (Decisions)	Estimate to Universe (Dollars)
Unwilling to Pay	7	700	\$8,595,600
Unable to Repay	3	400	\$13,209,420
Unable to Locate/Out of the Country	6	160	\$834,400
Total	16	1,260	\$22,639,420

Suspension Decisions—\$3,000 or Greater		
Unwilling to Pay Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	249	\$1,853,300
Sample Size	50	\$348,666
Suspension Decisions that Lacked Evidence of a Management Review	7	\$80,840
Percentage of Sample	14.00	23.19
Estimate to Population	35	\$429,780
Estimate to the Universe (20 Segments)	700	\$8,595,600

Suspension Decisions—\$3,000 or Greater		
Unable to Repay Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	331	\$2,453,458
Sample Size	50	\$424,268
Suspension Decisions that Lacked Evidence of a Management Review	3	\$114,201
Percentage of Sample	6.00	26.92
Estimate to Population	20	\$660,471
Estimate to the Universe (20 Segments)	400	\$13,209,420

Suspension Decisions—\$3,000 or Greater		
Unable to Locate or Out of the Country Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	63	\$425,710
Sample Size	50	\$336,615
Suspensions When Debtor or Representative Payee Could Have Been Located Through Their Employer	6	\$32,998
Percentage of Sample	12.00	9.80
Estimate to Population	8	\$41,720
Estimate to the Universe (20 Segments)	160	\$834,400

SSA Personnel Suspended Overpayments When Debtors or Representative Payees had Earnings

Suspension Decisions—\$3,000 or Greater			
Total Estimated Suspension Decisions—Debtors or Representative Payees had Earnings			
Suspension Decision	Unsupported Suspension Decisions	Estimate to Universe (Decisions)	Estimate to Universe (Dollars)
Unwilling to Pay	16	1,600	\$11,520,120
Unable to Repay	4	540	\$1,717,420
Total	20	2,140	\$13,237,540

Suspension Decisions—\$3,000 or Greater		
Unwilling to Pay Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	249	\$1,853,300
Sample Size	50	\$348,666
Suspensions when Debtors or Representative Payees had Earnings	16	\$108,349
Percentage of Sample	32.00	31.08
Estimate to Population	80	\$575,006
Estimate to the Universe (20 Segments)	1,600	\$11,520,120

Suspension Decisions—\$3,000 or Greater		
Unable to Repay Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	331	\$2,453,458
Sample Size	50	\$424,268
Suspensions When Debtors or Representative Payees had Earnings	4	\$14,833
Percentage of Sample	8.00	3.50
Estimate to Population	26	\$85,871
Estimate to the Universe (20 Segments)	540	\$1,717,420

More Thorough Collection Efforts May Have Located Debtors

Suspension Decisions—\$3,000 or Greater		
Unable to Locate or Out of the Country Overpayment Suspension Decisions		
	Decisions	Dollars
Total Segment Population	63	\$425,710
Sample Size	50	\$336,615
Suspensions When Debtor or Representative Payee Could Have Been Located Through Their Employer	5	\$29,617
Percentage of Sample	10.00	8.80
Estimate to Population	6	\$37,462
Estimate to the Universe (20 Segments)	120	\$749,240

SSA Personnel Split the Overpayment to Circumvent Management Approval

Beneficiaries with Multiple Suspension Decisions in 7–Day Period that Totaled \$3000 or Greater		
	Beneficiaries	Dollars
Total Segment Population	193	\$968,887
Sample Size	50	\$224,486
Beneficiaries with Split Overpayment Suspension Decisions	2	\$7,578
Percentage of Sample	4.00	3.38
Estimate to Population	8	\$32,748
Estimate to the Universe (20 Segments)	160	\$654,960

Distribution of Reported Dollar Findings to the Applicable Recommendations

Description of Finding	Recommendation	Dollars
Suspension decisions with 1 or more noncompliance errors (from the sample of <u>150</u> suspension decisions). See page 3.	Not applied	\$45,955,400
Add: Suspension decisions with 1 or more noncompliance errors (from the sample of <u>50</u> suspension decisions). See page 3.	Not applied	\$6,326,840
Total: Suspension decisions with 1 or more noncompliance errors (from the combined sample of decisions 200). See page 3.	Not applied	\$52,282,240
Less: SSA management did not document its review of suspension decisions. See page 5.	Recommendation 2	\$22,639,420
Net: Suspension decisions with one or more noncompliance error (from the combined sample of decisions 200).	Recommendation 1	\$29,642,820

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: August 20, 2009 **Refer To:** S1J-3

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

From: Margaret J. Tittel /s/ Mike Gallagher for
Acting Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Follow-Up: The Social Security Administration's Controls Over Suspending Collection Efforts on Title XVI Overpayments" (A-04-09-19039)--INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. Attached is our response to the report recommendations.

Please let me know if we can be of further assistance. Please direct staff inquiries to Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT,
"FOLLOW-UP: THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER
SUSPENDING COLLECTION EFFORTS ON TITLE XVI OVERPAYMENTS"
(A-04-09-19039)**

Our responses to your specific recommendations are as follows.

Recommendation 1

Continue to urge staff compliance with existing policy when suspending Title XVI overpayments and hold accountable those employees who do not follow established criteria.

Comment

We agree. We recently released reminders to the field offices of the policy they should follow when making overpayment suspension decisions. We are developing additional overpayment training for release in December 2009 and will explore ways to hold employees accountable for not following proper overpayment suspension procedures.

Recommendation 2

Consider revising the May 2009 policy to require the 2-PIN process (management approval) for suspension decisions controlled by RECOOP.

Comment

We agree. We will investigate the feasibility of requiring a 2-PIN process for suspension decisions controlled by RECOOP. We expect to make a decision by November 2009.

Recommendation 3

Revise policy to require the use of all internal resources to locate a debtor.

Comment

We agree. We will amend our policy to emphasize the importance of exhausting all resources when attempting to locate a debtor. We expect to issue a revised policy by November 2009.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director, Atlanta Audit Division

Frank Nagy, Audit Manager

Acknowledgments

In addition to those named above:

Valerie Ledbetter, Senior Auditor

For additional copies of this report, please visit our web site at www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-04-09-19039.

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