

OIG

Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Supplemental Security Income
Recipients with Excess Unstated
Income

A-07-12-11206 | May 2014

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 20, 2014

Refer To:

To: The Commissioner

From: Inspector General

Subject: Supplemental Security Income Recipients with Excess Unstated Income (A-07-12-11206)

The attached final report presents the results of our audit. Our objective was to identify Supplemental Security Income recipients who may have been receiving improper benefit payments because of unstated income.

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

Supplemental Security Income Recipients with Excess Unstated Income

A-07-12-11206



May 2014

Office of Audit Report Summary

Objective

To identify Supplemental Security Income (SSI) recipients who may have been receiving improper benefit payments because of unstated income.

Background

Because of the program's means-based nature, SSI payment amounts can fluctuate monthly. The Social Security Administration (SSA) relies on recipients to self-report changes in circumstances that may affect SSI eligibility and/or payment amounts. However, some SSI recipients fail to report these changes to retain their SSI payments. This issue has been a cause of SSI overpayments since the program's inception.

Unstated income is income that is not reported or otherwise known to SSA but is determined to exist because an individual's living expenses exceed income from known sources. The amount of unstated income to be charged is the difference between stated or known monthly income and monthly living expenses.

According to SSA policy, when there is information on file that creates questions as to how living expenses are being met, SSA staff is to determine whether there is unstated income by comparing usual monthly living expenses with total monthly income. However, if there is no reason to suspect that unstated income exists, no further development or documentation is required.

Our Findings

According to SSA policy, one situation that may point to unstated income is when an individual's stated income is insufficient to provide for known living expenses. However, SSA policy does not clearly outline how an adjudicator should determine the sufficiency of an individual's income. That is, there are no specific instructions about what living expense information should be obtained to make such a determination and therefore potentially explore unstated income. Rather, SSA policy instructs staff, "Whenever the information in file, including statements of the claimant/recipient, deemor or third parties, creates questions as to how living expenses are met, explore the existence of unstated income. Adjudicators are responsible for deciding whether the information in file creates such questions and to what extent unstated income must be explored."

By having a discretionary process for identifying what monthly living expenses should be obtained to determine the sufficiency of an individual's income and therefore the potential for unstated income, SSA may be overlooking opportunities to detect improper payments. To illustrate, we analyzed individuals in our sample who reported spending the majority of their income on rent/mortgage and food alone. Based on our methodology, we identified 25 recipients who had potential unstated income in July 2011. We updated the income and expense information for the 25 recipients and found 21 were in current pay as of January 2014. Taking into account updated income and expense information, we found 14 of the 21 recipients still had potential unstated income.

Our Recommendations

We recommend SSA:

1. Use a process similar to that in our analysis to explore unstated income for the 14 recipients who still have potential unstated income, and
2. Based on those results, determine whether the process for exploring unstated income should be strengthened for SSI-eligible individuals who report spending the majority of their income on rent/mortgage and food alone.

SSA agreed with our recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	3
Missed Opportunities to Identify Unstated Income	4
Recipients with Potential Unstated Income	5
Additional Analysis and Referrals to SSA.....	9
Conclusions.....	10
Recommendations.....	11
Agency Comments and OIG Response.....	11
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – Sample Errors.....	C-1
Appendix D – Agency Comments.....	D-1
Appendix E – Major Contributors.....	E-1

ABBREVIATIONS

AFI	Access to Financial Institutions
BLS	Bureau of Labor Statistics
FBR	Federal Benefit Rate
MSSICS	Modernized Supplemental Security Income Claims Systems
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SNAP	Supplemental Nutrition Assistance Program
SSI	Supplemental Security Income
SSITWR	Supplemental Security Income Telephone Wage Reporting
SSR	Supplemental Security Record
U.S.C.	United States Code
USDA	U.S. Department of Agriculture

OBJECTIVE

Our objective was to identify Supplemental Security Income (SSI) recipients who may have been receiving improper benefit payments because of unstated income.

BACKGROUND

SSI is a Federal cash assistance program administered by the Social Security Administration (SSA) that provides a minimum level of income to financially needy individuals who are aged, blind, or disabled.¹ For this review, we focused on individuals receiving SSI payments because of blindness or disability. To receive SSI payments, an individual must meet certain income and resource requirements. No individual shall be considered eligible for SSI payments for any period during which he/she has income or resources that exceed the allowable limits established under the *Social Security Act*.² In Fiscal Year 2011, SSA provided each eligible individual who had no other countable income a maximum monthly Federal cash payment of \$674.³ SSA reduces, or offsets, SSI payments by a recipient's income,⁴ less certain exclusions.⁵

Because of the program's means-based nature, SSI payment amounts can fluctuate monthly depending on changes in income, resources, and living arrangement. SSA generally relies on recipients to self-report changes in circumstances that may affect SSI eligibility and/or payment amounts. Because reporting such events can cause ineligibility or a decrease in SSI payments, some recipients do not report these types of changes to retain their SSI payments. This issue has been a major cause of SSI overpayments since the SSI program's inception.⁶ While SSA front-line employees detected potential fraud and made appropriate referrals to the Office of the

¹ *Social Security Act* § 1601 *et seq.*, 42 U.S.C. § 1381 *et seq.*

² *Social Security Act* § 1611(a); 42 U.S.C. § 1382(a). *See* 20 C.F.R. § 416.202.

³ Also referred to as the Federal Benefit Rate (FBR). The maximum SSI payment increases with the annual cost-of-living adjustments that apply to Social Security benefits. SSA, POMS, SI 02001.020 (October 16, 2012).

⁴ Income is any item an individual receives in cash or in-kind that can be used to meet his or her need for food or shelter. SSA, POMS, SI 00810.005 (March 8, 2005). There are different types of income, earned and unearned, and SSA has rules for counting each. 20 C.F.R. § 416.1104. Unearned income includes things such as Social Security benefits, interest, and unstated income. Earned income includes such things as wages and net earnings from self-employment. 20 C.F.R. §§ 416.1110 and 416.1121. Note: As long as the source of unstated income is unknown, it is categorized as unearned income. However, if the source of the unstated income is identified (for example, wages), it would be considered either earned or unearned income as appropriate.

⁵ Not all income is counted for SSI purposes. For example, SSI recipients can have \$20 per month in unearned income and \$65 per month in earned income (\$85 per month if no unearned income is reported) without affecting their SSI payment. SSA also excludes up to \$30 of earned income in a calendar quarter if it is infrequent or irregular as well as any earned income that is used to pay impairment-related work expenses. SSA, POMS, SI 00810.420 (December 1, 1998); SSA, POMS, SI 00820.500 (February 23, 2009).

⁶ SSA Office of Quality Performance, *Fiscal Year 2011 Title XVI Payment Accuracy (Stewardship) Report*, May 2012, p. 3.

Inspector General (OIG) in the New York and Puerto Rico disability fraud schemes, we believe additional controls could strengthen the process.⁷

Unstated income is income not reported or otherwise known to SSA but determined to exist because an individual's (or couple's) living expenses exceed income from known sources. The amount of unstated income to be charged is the difference between stated or known monthly income and monthly living expenses. The following situations could indicate an individual has unreported income from other sources.

- Stated income is insufficient to pay costs normally associated with resources owned (for example, gas, maintenance, insurance, and licensing of an automobile).
- Stated income is insufficient to provide for known living expenses.
- No income is alleged, and the individual does not live in a setting in which food and shelter are provided.

Adjudicators are responsible for deciding whether the information on file creates such questions and to what extent unstated income is explored. If there is no reason to suspect that unstated income exists, no further development or documentation is required. If unstated income does exist, the following usual monthly living expenses should be obtained.

- Rent or mortgage (including property tax)
- Food
- Clothing
- Utilities
- Miscellaneous household expenses
- Insurance
- Medical and dental care
- Automobile and other transportation expenses
- Other expenses (such as newspapers, barber, toilet articles, etc.)
- Installment loans
- Illegal drugs (if the file shows the individual uses them)⁸

⁷ As part of an ongoing disability fraud operation in Puerto Rico, SSA OIG made 75 arrests in August 2013, in coordination with the Federal Bureau of Investigation and the Puerto Rico Police Department. In January 2014, SSA OIG, in coordination with the Manhattan District Attorney's Office and the New York City Police Department, began arresting 106 indicted individuals for their alleged involvement in a vast, longstanding Social Security disability fraud scheme.

⁸ SSA, POMS, SI 00810.035 (July 20, 2009).

For July 2011, we identified 128,524 blind or disabled SSI recipients from 1 segment of the Supplemental Security Record (SSR) who (1) were receiving at least 90 percent of the full 2011 FBR—between \$607 and \$674; (2) were age 18 to 65; and (3) did not have an eligible spouse on their record. We randomly selected a sample of 250 of these recipients to review to determine whether the potential for unstated income existed (see Appendix A).

RESULTS OF REVIEW

According to SSA policy, one situation that may point to unstated income is when an individual has stated income that is insufficient to provide for known living expenses.⁹ However, SSA policy does not clearly outline how an adjudicator should determine the sufficiency of an individual's income. That is, there are no specific instructions about what living expense information should be obtained to make such a determination and therefore potentially explore unstated income. Rather, SSA policy instructs staff, "Whenever the information in file, including statements of the claimant/recipient, deemor or third parties, creates questions as to how living expenses are met, explore the existence of unstated income. Adjudicators are responsible for deciding whether the information in file creates such questions and to what extent unstated income must be explored."¹⁰

Since there are no specific instructions about what living expense information should be obtained, SSA has created a discretionary process for obtaining the monthly living expenses used to make a determination about the exploration of unstated income. With a discretionary process in place, some adjudicators may not be as proficient as others in identifying expenses that may lead to the development of unstated income.

By not having a process that identifies what monthly living expenses should be obtained to determine the sufficiency of an individual's income and therefore the potential for unstated income, SSA may be overlooking opportunities to detect improper payments. To illustrate, we analyzed individuals in our sample who reported that rent/mortgage and food expenses alone accounted for the majority of their income. We used this approach because we believe it may be a good indicator of potential unstated income, as it leads us to question how the recipient is paying for other normal expenses. From our sample of 250 recipients, we identified 40 who spent approximately 80 percent or more of their income on rent/mortgage and food. When we considered additional usual monthly living expenses identified in SSA's policy, we found 25 of these recipients had potential unstated income in July 2011—ranging from \$41 to \$1,001, with a median amount of \$93—that could have resulted in overpayments ranging from \$21 to \$674, with a median of \$73 (see Appendix C).

⁹ The two additional situations listed in SSA's instructions are when (1) stated income is insufficient to pay costs normally associated with resources owned and (2) no income is alleged and the individual (or couple) does not live in a setting in which food and shelter are provided. SSA, POMS, SI 00810.035 C.1.a (July 20, 2009).

¹⁰ SSA, POMS, SI 00810.035 (July 20, 2009).

We updated the income and expense information for the 25 recipients and found 21 were in current pay as of January 2014. Taking into account updated income and expense information, we found 14 of the 21 recipients still had potential unstated income. Based on the income and expense information from July 2011 for these 14 recipients, we estimate there were approximately 144,000 blind or disabled SSI recipients who spent approximately 80 percent or more of their income on rent/mortgage and food and had potential unstated income of over \$372 million in 1 year (see Appendix B).

Missed Opportunities to Identify Unstated Income

According to SSA policy, one situation that may point to unstated income is when an individual's stated income is insufficient to provide for known living expenses.¹¹ However, SSA policy does not clearly outline how an adjudicator should determine the sufficiency of an individual's income. That is, there are no specific instructions about what living expense information should be obtained to make such a determination and therefore potentially explore unstated income. Rather, SSA policy instructs staff, "Whenever the information in file, including statements of the claimant/recipient, deemor or third parties, creates questions as to how living expenses are met, explore the existence of unstated income. Adjudicators are responsible for deciding whether the information in file creates such questions and to what extent unstated income must be explored."

Since there are no specific instructions about what living expense information should be obtained, SSA has created a discretionary process for obtaining the monthly living expenses used to make a determination about the exploration of unstated income. With a discretionary process in place, some adjudicators may not be as proficient as others in identifying expenses that may lead to the development of unstated income.

In our review of 250 SSI recipients, we found 193 (77 percent) who had only housing (rent/mortgage) expense information documented in SSA's systems.¹² SSA's systems did not have any other expenses documented for these recipients. Without documentation showing that SSA looked into additional expenses, we cannot confirm whether adjudicators inquired about any other monthly living expenses when determining whether stated income was insufficient to provide for known living expenses.¹³ The lack of documented expenses suggests that some adjudicators may have relied solely on housing expense information to make a determination about the sufficiency of an individual's income and did not fully explore unstated income.

¹¹ Supra note 9.

¹² SSA records information about shelter costs in its Modernized Supplemental Security Income Claims Systems (MSSICS). MSSICS is an electronic system that guides SSA employees through collecting information needed to determine eligibility and monthly payment amounts. The 193 recipients include those whose living arrangements showed they lived in non-institutional care or were identified as transient.

¹³ If an adjudicator questions unstated income and a satisfactory explanation is provided, the explanation should be documented in a Report of Contact (SSA-5002 or DROC screen) or other form (for example, the "Remarks" section of the SSI application, redetermination form, MSSICS screens). SSA, POMS, SI 00810.035 C.1.c (July 20, 2009).

By not having a process for identifying what monthly living expenses should be obtained to determine the sufficiency of an individual's income and therefore the potential for unstated income, SSA may be overlooking opportunities to detect improper payments, as illustrated in the next section of this report. In fact, in an SSA training session, *Title XVI Basic Training* (November 2012), the instructors cautioned the tendency to overlook potential unstated income and discussed personal experiences as claims representatives. One of the instructors stated, "You're not really thinking about it [unstated income] because you're going through and just asking one question after another." She further stated, "It [unstated income] is something really simple to overlook because you are so focused on going through that claim."

Recipients with Potential Unstated Income

To show that SSA could identify more instances of unstated income if it strengthened its process for developing unstated income, we analyzed a sample of 250 recipients (see Appendix A for our detailed methodology). Specifically, for each recipient we

- identified total income—recipient's SSI payment and any other reported income—recorded in SSA's MSSICS and
- developed usual monthly living expenses—rent/mortgage, food, clothing, utilities, housekeeping supplies, transportation, personal care, and installment loan payments.¹⁴

The income we used in our analysis was documented in SSA's systems. If there was no documentation of outside income, we did not add any estimated amounts. The expenses used in our analysis were

- documented in SSA's systems,
- obtained from credit reports, or
- estimated using information from the Bureau of Labor Statistics (BLS) and/or the U.S. Department of Agriculture's (USDA) Supplemental Nutritional Assistance Program (SNAP).
 - Each year, the BLS conducts a statistically valid Consumer Expenditure Survey that measures how people in the United States spend their money. We used information from the survey's table on average annual expenditures and characteristics to estimate amounts for any of the usual monthly living expenses that were not recorded in SSA's systems. We estimate the recipients in our population had an annual income of \$7,300 to \$8,100,

¹⁴ SSA's policy also includes medical and dental care, insurance, and illegal drugs (if the file shows the individual uses them) as part of usual monthly living expenses. SSA, POMS, SI 00810.035.C.2 (July 20, 2009). Since SSI recipients generally qualify for medical assistance through the Medicaid program, we did not include estimated amounts for medical and dental care expenses. In addition, we did not include estimated amounts for insurance because SSA did not specify the type of insurance or for illegal drugs because we did not feel it was appropriate for all recipients. We identified amounts for all other usual monthly living expense categories.

annually. Therefore, we based our estimates on the information for households with an annual income between \$5,000 and \$9,999.¹⁵

- The USDA provides nutrition assistance to low-income individuals and families through SNAP. Since the recipients in our population would be considered low income, we treated all sampled recipients as if they were receiving SNAP benefits. Therefore, if a specific food expense was not recorded in SSA's systems, we calculated an estimated amount the recipient would be expected to contribute based on USDA's methodology.

We acknowledge that some of the estimated expenses may not reflect what an individual actually spends each month—some individuals may spend more money in some categories, and some individuals may spend less. Family size, age of family members, geographic location, and individual tastes and preferences can influence expenditures. Some individuals may even seek assistance for some household expenses including help from charitable organizations, housing agencies, energy assistance programs, and food banks. However, the estimates used came from data obtained from the USDA and BLS for people with an annual income that was comparable to the SSI recipients in our review. Therefore, we believe the estimated amounts used were reasonable for expenses not found in SSA's systems. See Appendix A for our detailed methodology.

The following example explains the analysis of July 2011 income and expenses conducted for one of the recipients in our sample. See Appendix A for detailed information on how we arrived at the amounts used in our analysis.

- **Income:** The recipient lived with her three children and reported no source of income other than her monthly SSI payment of \$674.
- **Rent:** The recipient reported a monthly rent expense of \$500, which we identified in SSA's systems.
- **Food:** The recipient's food expense was not recorded in MSSICS. Therefore, based on a calculation from the USDA's SNAP, we estimate the recipient's food expense was \$81.
- **Clothing:** Using data from BLS, we estimate the recipient spent \$78 on clothing.
- **Miscellaneous Household Expenses:** Using data from BLS, we estimate the recipient spent \$25 on miscellaneous household expenses.
- **Automobile and Transportation Expenses:** The recipient's SSR indicated she owned a vehicle. We confirmed that the recipient had a valid driver's license, and a vehicle was registered in her name in 2011. Therefore, using data from BLS, we estimate the recipient spent \$93 a month for gasoline and motor oil.

¹⁵ The BLS table on average annual expenditures and characteristics has data classified by the following annual income ranges: (1) Less than \$5,000; (2) \$5,000 to \$9,999; (3) \$10,000 to \$14,999; (4) \$15,000 to \$19,999; (5) \$20,000 to \$29,999; (6) \$30,000 to \$39,999; (7) \$40,000 to \$49,999; (8) \$50,000 to \$69,999; and (9) \$70,000 and more.

- Other Expenses: Using data from BLS, we estimate the recipient spent \$24 on other expenses.¹⁶
- Installment Loans: The recipient’s credit report identified a minimum of \$874 paid on various credit card accounts in July 2011. When we obtained the credit report, the outstanding balance on these credit card accounts totaled nearly \$29,000, with the largest balance close to \$12,000. With the exception of one credit card that was opened in February 2011, all had been active for at least 1.5 years. None of these credit cards went into delinquent status during that time, which means the minimum monthly payment was made every month during that period.¹⁷ SSA’s systems did not identify any installment loan information.

Using our methodology, we estimate the recipient’s total usual monthly expenses was almost \$1,700. If these expenses were verified and found to be paid by the recipient, it would result in potential unstated income of approximately \$1,001 (see Table 1).¹⁸ That amount of unstated income would cause the recipient’s entire SSI payment to be overpaid.

Table 1: July 2011 Potential Unstated Income Computation for Sampled Recipient

Total Reported Income	\$674
Total Potential Usual Monthly Living Expenses	(\$1,675)
Rent	(\$500)
Food	(\$81)
Clothing	(\$78)
Utilities ¹⁹	\$0
Miscellaneous Household	(\$25)
Automobile and Other Transportation	(\$93)
Other	(\$24)
Installment Loans	(\$874)
Potential Unstated Income	(\$1,001)

For the recipient in this example, we did not find any documentation showing development of additional expenses or potential unstated income.

¹⁶ Since SSA’s POMS, SI 00810.035.C.2 shows that the “other” category includes barber and toilet articles, we based the estimated expense on the “personal care products and services” category in the BLS data.

¹⁷ If SSA strengthens its process as we are recommending in this report, it may want to consider whether using information from the credit bureaus would be cost-beneficial. However, for our sample of 250 recipients, 50 did not have a credit report available, and 166 did not have any open accounts reported on their credit report that were being paid.

¹⁸ We did not verify whether someone other than the recipient was paying for any of the recipient’s expenses.

¹⁹ We did not include an expense for utilities since we could not determine if the cost of utilities was already included in the rent amount that was recorded in SSA’s MSSICS. See Appendix A for our detailed methodology.

We conducted the same analysis as presented in the above example on all 250 of our sample cases and found 50 recipients (20 percent) with almost \$7,000 of potential unstated income in July 2011. We did not verify that the 50 recipients had unstated income. However, if the recipients were found to have unstated income and could not provide a valid explanation for how they were meeting the expenses, the unstated income for these recipients would have resulted in over \$5,600 in overpayments.

We acknowledge that it might not be cost-beneficial for SSA to obtain all of the usual monthly living expenses listed in its policy from all SSI-eligible individuals at the time of application, during a redetermination, or when a change is reported that could affect the SSI payment amount. Still, when an individual reports spending the majority of his/her income on rent/mortgage and food expenses alone, we believe that may be a good indicator of potential unstated income. Specifically, in the example above, the recipient's rent and food expenses accounted for 86.25 percent of her monthly income. Because this recipient had very little income available for other usual monthly living expenses, we question how she paid for other expenses that normally occur. In this example, if SSA's process was strengthened to include obtaining and documenting additional usual monthly living expenses for SSI-eligible individuals who spend the majority of their income on rent/mortgage and food alone, the recipient's potential unstated income may have been identified.

From our sample of 250 recipients, 40 spent approximately 80 percent or more of their income on rent/mortgage and food.²⁰ For these 40 recipients, we considered additional usual monthly living expenses as identified in SSA policy²¹ and found 25 recipients whose potential unstated income would have resulted in at least \$20 in overpayments. The potential unstated income ranged from \$40 to \$1,001 per person, with a median amount of \$93, and totaled over \$5,000. This unstated income would have resulted in overpayments ranging from \$21 to \$674 per person, with a median amount of \$73, and totaled over \$4,000 (see Appendix C).

We did not verify that the 25 recipients had unstated income, as that would have involved obtaining information normally obtained by SSA during a redetermination. A redetermination is a review of a recipient's/couple's non-medical eligibility factors (i.e., income, resources, and living arrangements) to determine whether the recipient/couple is still eligible for and receiving the correct SSI payment.²² Redeterminations are the responsibility of SSA and are conducted by SSA adjudicators trained in the redetermination process. As such, it would not have been appropriate for OIG auditors to contact these recipients to conduct a redetermination to verify that unstated income actually existed.

²⁰ We arrived at 80 percent by using the average rent/mortgage and food as a percent of income for all 250 sampled recipients (58.14 percent), adding 1 standard deviation (21.84 percent), and rounding up from 79.97.

²¹ These expenses were not verified. We found some expense information in SSA's systems and estimated some. See Appendix A for more information.

²² SSA, POMS, SI 02305.001 (October 4, 2007).

We realize SSA is mostly likely to develop possible unstated income for SSI-eligible individuals at the time of application and for recipients in current pay on an ongoing basis—either during a redetermination or when changes are reported that could affect payment amount or eligibility. Since the 25 recipients with potential unstated income were receiving SSI payments, we updated their information and found 21 were in current pay as of January 2014. For those 21 recipients, we reviewed SSA’s systems to obtain income and expense information for January 2014. Based on analysis of the January 2014 information, 14 of the 21 recipients had potential unstated income (see Appendix C).²³

Therefore, based on the income and expense information from July 2011 for the 14 recipients who also had potential unstated income in January 2014, we project approximately 144,000 blind or disabled SSI recipients spent approximately 80 percent or more of their income on rent/mortgage and food and had potential unstated income of over \$31 million in 1 month. If all recipient circumstances remained the same and unstated income was proven to exist, we estimate these recipients would have over \$372 million of unstated income in 1 year. This unstated income would result in approximately \$320 million in potential overpayments, annually, which includes the actual overpayment assessed for Recipient #1 in the next section (see Appendix B).

Additional Analysis and Referrals to SSA

During our analysis, we identified two recipients we determined needed further examination. For these individuals, we conducted additional analysis—including a review of LexisNexis²⁴—that led us to referring the cases to SSA for further development.

Recipient #1

For this recipient, we reviewed LexisNexis and found she owned two properties and had two vehicles and a watercraft registered in her name.²⁵ Ownership of these assets is a “red flag” that she may have had unstated income. How was the recipient able to pay for these items along

²³ We did not obtain new credit reports for the recipients. Therefore, no credit card expenses were considered in the updated analysis.

²⁴ In a prior audit of SSI recipients with unreported real property, we recommended the Agency assess the costs/benefits of expanded LexisNexis use in determining the accuracy of recipients’ allegations of resources through a pilot study requiring the use of LexisNexis when initial SSI applications are processed and SSI redeterminations are completed. The Agency agreed with the recommendation. SSA OIG, *SSI Recipients with Unreported Real Property* (A-02-09-29025), June 2011, p. E-2. The Agency conducted a review to test the use of LexisNexis as a source of undisclosed property and found it is a viable method. The Agency is assessing how to integrate the use of LexisNexis into operational processes, taking into account diminishing resources. When conducting the pilot study to determine whether it is cost-beneficial to obtain all living expenses we are recommending in this report, SSA may also want to consider whether using information from LexisNexis would be cost-beneficial.

²⁵ This individual was the recipient used in our example analysis. We did not find documentation of the properties, extra vehicle, or watercraft in SSA’s systems.

with other usual monthly living expenses given that her only reported source of income was her SSI payment?²⁶

We submitted the recipient's information to SSA on September 27, 2013. On November 4, 2013, SSA informed us that the servicing field office contacted the recipient, determined she was ineligible for SSI, and updated her record to non-payment status. Because of our referral, the recipient was assessed an \$18,882 overpayment.

Recipient #2

We had concerns that this recipient had been married for several years and did not report it to SSA. As part of our review, we obtained credit reports for all of the sampled individuals. The recipient's credit report showed a last name that differed from the last name recorded in SSA's systems. Therefore, we reviewed LexisNexis for the recipient. LexisNexis showed the same last name as shown on the credit report, and revealed that the recipient had shared an address with a man with the same last name since 2005. The recipient's living arrangements in MSSICS indicated she lived with her daughter. LexisNexis also showed the recipient had several vehicles titled jointly with the man with whom she appeared to be living. We also found evidence on a social media site that lead us to believe the couple was married on November 11, 2004 and the recipient appeared to have two children in addition to the daughter shown living with her in MSSICS.

We obtained earnings information via SSA's systems for the recipient's possible husband and found he had earnings ranging from approximately \$10,000 to over \$40,000 between 2005 and 2011—the same period LexisNexis showed he resided at the same address as the recipient. If the recipient was married and living with a spouse, his earnings would affect her SSI payment. We provided SSA with details on this recipient on December 11, 2013 for further development. SSA referred the case to the appropriate region for action.

CONCLUSIONS

By not specifically identifying what monthly living expenses adjudicators should obtain to determine the sufficiency of an individual's income, and the potential for unstated income, SSA may be overlooking opportunities to detect improper payments. Based on our methodology, we identified 25 recipients who had potential unstated income in July 2011 that would have resulted in overpayments of at least \$20 per person. The potential unstated income for these recipients totaled over \$5,000. We updated the income and expense information for the 25 recipients and found 21 were in current pay as of January 2014. Taking into account updated income and

²⁶ As a program based on need, SSI uses the value of a person's resources as one of two "need" criteria in determining eligibility. The other "need" criterion is income. The general expectation is that individuals or couples whose resources exceed the applicable limit will use the excess to meet their needs before becoming eligible for SSI benefits. SSA, POMS, SI 01110.001 (October 25, 1990). An individual with countable resources in excess of \$2,000 (\$3,000 if living with a spouse) is not eligible for SSI payments. SSA, POMS, SI 01110.003 (December 8, 2010).

expense information, we found 14 of the 21 recipients still had potential unstated income. Projecting to the population, we estimate approximately 144,000 blind or disabled SSI recipients had potential unstated income of over \$372 million in 1 year, which would result in approximately \$320 million in potential overpayments, annually, which includes the actual overpayment assessed for Recipient #1.

SSA has acknowledged that wage discrepancies have been one of the leading causes of SSI overpayments for more than a decade.²⁷ The Agency has various initiatives in place to address overpayment errors related to wages. These initiatives include redeterminations, Access to Financial Institutions (AFI), and Supplemental Security Income Telephone Wage Reporting (SSITWR).²⁸ While SSA front-line employees detected potential fraud and made appropriate referrals to the OIG in the New York and Puerto Rico disability fraud schemes, we believe additional controls could strengthen the process. As such, it is vital that SSA have processes that ensure benefits are paid only to the right person, in the right amount, and at the right time thereby avoiding overpayments.

Improvements in SSA's process for developing unstated income would add to SSA's initiatives by potentially identifying issues that cause overpayments and protect the program from those who would attempt to defraud it.

RECOMMENDATIONS

We recommend SSA

1. Use a process similar to that in our analysis to explore unstated income for the 14 recipients who still have potential unstated income.
2. Based on those results, determine whether the process for exploring unstated income should be strengthened for SSI-eligible individuals who report spending the majority of their income on rent/mortgage and food alone.

AGENCY COMMENTS AND OIG RESPONSE

While SSA technically agreed with our recommendations, it stated it would use its current longstanding process for SSI stewardship reviews to evaluate the identified cases to determine if unstated income exists. While OIG appreciates the Agency reviewing the cases, we believe

²⁷ SSA, *Social Security Administration Agency Financial Report Fiscal Year 2013*, p. 154.

²⁸ A redetermination is a review of a recipient's non-medical eligibility factors (that is, income, resources, and living arrangements) to determine whether the recipient is still eligible for and receiving the correct SSI payment. AFI is an electronic system that allows SSA to detect assets, including those in undisclosed bank accounts. SSITWR was implemented in FY 2008 and allows recipients, representative payees, and deems to report prior monthly gross wages via an automated telephone system. SSITWR ensures the wages amounts are timely recorded to the individual's record.

using an approach similar to that used in our analysis would be more likely to detect instances of unstated income, as more expense information would be obtained to be able to make such a determination.

In the Agency's comments, it indicated that its SSI stewardship findings do not support that unstated income is a major cause of SSI improper payments and that OIG's estimates are likely overstated. SSA also commented, "Only when we are unable to determine the source of income that accounts for the difference between known income and living expenses do we cite an "unstated income" deficiency." These statements by the Agency seem to suggest that unstated income is not a problem within the SSI program. However, we respectfully disagree with that implication.

While "unstated income" as a category may not technically be a major cause of improper payments, we believe SSA would discover more improper payments through the development of unstated income. That is, if SSA asked more SSI-eligible individuals about usual monthly living expenses, it may reveal that the reported income was insufficient to provide for those expenses and trigger the exploration of unstated income. If the individual could not explain the difference between income and expenses, any resulting improper payment would be considered to be due to "unstated income." However, if the individual revealed the source to be, for example, wages, the improper payment would be considered to be due to "earned income."

The information and analysis surrounding Recipient #1 discussed on page 9 of this report is a good example of how SSA classifies the type of improper payment. OIG looked into the recipient because her housing and food costs alone accounted for 86 percent of her income. Further analysis disclosed the recipient's usual monthly living expenses far exceeded her reported income. It was because of the potential for unstated income that the recipient's excess resources were discovered, an overpayment was assessed, and the recipient was placed in non-payment status. In this very situation, the overpayment was considered to be due to "excess resources" and not because of unstated income. However, it was the development of the potential unstated income that led to the discovery of the resources. Therefore, we do not believe our estimates themselves are overstated. Rather, the potential unstated income may end up being classified as a different type of improper payment. The Agency's comments are included in Appendix D.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration’s (SSA) regulations, policies, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Identified total income and expenses for a sample of 250 Supplemental Security Income (SSI) recipients. To do so, we:
 - Requested credit reports from Experian Credit Bureau for the 250 sampled individuals and any individuals identified on their Supplemental Security Record (SSR).¹
 - Reviewed SSA’s Modernized Supplemental Security Income Claims Systems (MSSICS) to obtain usual monthly living expense information for the sampled individuals.
 - Reviewed a report by the Bureau of Labor Statistics (BLS) regarding average annual expenditures for households based on their annual income.
 - Reviewed information about the U.S. Department of Agriculture’s (USDA) Supplemental Nutritional Assistance Program (SNAP).²

See the Detailed Methodology section below for more information.

- Calculated potential unstated income for each recipient—the difference between their total income and total expenses.
- Calculated potential overpayments based on any potential unstated income identified—taking into account SSA’s policies on how income affects SSI payments.³

¹ Of the 250 sampled recipients, 50 did not have a credit report available. In addition, 12 recipients had another person identified on their SSR whose income and resources would impact their SSI payment. Therefore, we attempted to obtain credit reports for those individuals as well. Of the 12 individuals, 2 did not have a credit report available.

² USDA’s SNAP was formerly known as the Food Stamp Program.

³ We based our overpayment calculations on various SSA policies related to income and SSI eligibility. A non-exhaustive list of such policies include SSA, POMS, SI 00810.001 (September 26, 2011), SI 00810.005 (March 8, 2005), SI 00810.030 (March 13, 2003), SI 00810.420 (December 01, 1998), and SI 00830.010 (November 18, 1996). SSA generally bases payment on the income in the second month before the month for which payment is being computed. SSA, POMS, SI 02005.001.B (September 22, 2010). Therefore, potential overpayments were calculated using the September 2011 SSI payment for the recipients.

Detailed Methodology

We identified 128,524 blind or disabled SSI recipients from 1 segment of the SSR who

1. were receiving at least 90 percent of the full 2011 Federal benefit rate—between \$607 and \$674—in July 2011;
2. were age 18 to 65; and
3. did not have an eligible spouse on their record.

From the population of 128,524 blind or disabled SSI recipients, we selected a random sample of 250 to review to determine whether the potential for unstated income existed. Specifically, for each individual, we identified the following.

- Total income identified in SSA's systems. This includes the recipient's SSI payment and any other reported income, such as adoption subsidies and the SSI payments of children in the household.
- Usual monthly living expenses—rent/mortgage, food, clothing, utilities, housekeeping supplies, transportation, personal care, and installment loans⁴—as stated in SSA's POMS SI 00810.035.C.2. These expenses were recorded in SSA's systems, obtained from credit reports, or estimated using information from the BLS and/or the USDA's SNAP.

Actual Income and Expenses Recorded in SSA's Systems

We obtained income amounts from the SSR and from income screens in SSA's MSSICS. When available, we obtained actual expense amounts for food, housing (rent/mortgage, property taxes, property insurance), and utilities (heating fuel, electricity, gas, garbage removal, water, and sewer) from screens in MSSICS.

Actual Expenses Not Recorded in SSA's Systems

The Experian Credit Bureau collects and organizes credit history data from creditors and public records. Credit reports obtained from Experian included account information for credit cards, retail credit cards, real estate loans, installment loans (such as automobile loans), and collection accounts.

⁴ SSA's policy also includes medical and dental care, insurance, and illegal drugs (if the file shows that the individual uses them) as part of usual monthly living expenses. SSA, POMS, SI 00810.035.C.2 (July 20, 2009). Since SSI recipients generally qualify for medical assistance through the Medicaid program, we did not include estimated amounts for medical and dental care expenses. In addition, we did not include estimated amounts for insurance because SSA did not specify the type of insurance or for illegal drugs because we did not feel it was appropriate for all recipients. We identified amounts for all other usual monthly living expense categories.

Since SSA considers installment loans as part of usual monthly living expenses, we obtained credit reports for our sample of 250 recipients and any spouses identified on the recipient’s SSR. We reviewed the credit reports and identified payments made in July 2011. We considered these amounts in our calculation of total expenses. We did not include amounts for accounts that were delinquent in July 2011.

Estimated Expenses Not Recorded in SSA’s Systems

For individuals who did not have expenses recorded in SSA’s systems, we used estimated amounts for the usual monthly living expenses. These estimates were based on data from the USDA’s SNAP and the BLS.

USDA Food Estimates

The USDA provides nutrition assistance to low-income individuals and families through SNAP. However, households receiving SNAP assistance are expected to contribute 30 percent of their own resources to food. Since the recipients in our population would be considered low income, we treated all sampled recipients as if they were receiving SNAP benefits. Therefore, if a specific food expense was not recorded in SSA’s systems, we calculated an estimated amount that the recipient would be expected to contribute based on the methodology used by USDA.

The USDA uses a calculation with several deductions—including a standard deduction (see Table A–1) and a deduction for excess shelter—to arrive at a household’s net income (see Table A–2) used for determining the household’s expected contribution on food.

Table A–1: SNAP Standard Deductions

People in Household	48 States and DC	Alaska	Hawaii
1	\$149	\$256	\$211
2	\$149	\$256	\$211
3	\$149	\$256	\$211
4	\$160	\$256	\$211
5	\$187	\$256	\$215
6+	\$214	\$268	\$247

Table A–2: SNAP Net Income Calculation

Total Income - Standard Deduction = Adjusted Income
If the Rent/Mortgage is greater than ½ of the Adjusted Income: Rent/Mortgage - ½ of Adjusted Income = Excess Shelter Deduction
Adjusted Income - Excess Shelter Deduction = Net income

We based our food allocation on the USDA’s calculation of net income. For example, a household of 2 living in 1 of the 48 States had total income of \$674 and reported rent of \$300. To arrive at the household’s net income, we first subtracted the standard deduction of \$149 to

reach the adjusted income of \$525. We then took half of the adjusted income (\$262.50) and compared it to the total rent (\$300). Since the total rent was greater than half of the adjusted income, we subtracted the difference of \$37.50 as an excess shelter deduction. Therefore, the household's net income was \$487.50. Finally, we multiplied the net income by 30 percent to identify the food expense. In this example, the food expense was \$146.25.

BLS Living Expense Estimates

The BLS conducts the Consumer Expenditure Survey to collect information from the nation's households and families on their buying habits (expenditures), income, and household characteristics. The published results identify the average household composition and expenditures by income range.

SSA does not always record usual monthly living expenses—rent or mortgage, including property tax; clothing; utilities; miscellaneous household expenses; automobile and other transportation; and other expenses. Therefore, when actual expenses were not recorded, we identified the average cost by using the BLS report on average annual household expenditures. Since the sampled recipients received SSI payments between \$607 and \$674 in July 2011, we estimate the recipients' SSI income would be approximately \$7,300 to \$8,100, annually. Therefore, we used the data from the BLS report for income ranging from \$5,000 to \$9,999 (see Table A-3).⁵

**Table A-3: Average Expenditures for
Income of \$5,000 to \$9,999, 2011**

Usual Monthly Living Expense (BLS Expenditure Category)	BLS Monthly Expense ⁶
Rent or Mortgage (Rented dwellings): For those recipients who did not have a rent or mortgage cost recorded in SSA's systems, we divided the BLS annual cost for rented dwellings of \$3,220 by 12 months to arrive at an estimated monthly rent expense of \$268.33.	\$268.33

⁵ Consumer Expenditure Survey, U.S. Bureau of Labor Statistics, September, 2012: *Table 2. Income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey, 2011.*

⁶ Some monthly expenses—clothing, housekeeping supplies, and personal care products and services—would likely vary depending on the number of people in the household. Therefore, these categories have two different calculations. We took this approach to ensure that households of one were not charged an unreasonable amount and households with multiple people did not get charged more than the maximum annual cost as shown in the BLS data.

Usual Monthly Living Expense (BLS Expenditure Category)	BLS Monthly Expense ⁶
<p>Clothing (Apparel and services): Clothing costs likely vary depending on the number of people in the household. Therefore, we used two different amounts. For households with more than one person, we divided the BLS annual cost for apparel and services, \$938, by 12 months to arrive at the monthly expense of \$78.17. For households of only one person, we calculated the amount for a single household member. This was done by dividing the calculated monthly amount of \$78.17 by the BLS reported average number of people per household of 1.7. This resulted in a monthly expense of \$45.98.</p>	\$45.98/\$78.17
<p>Utilities (Natural gas, electricity, water and other public services): For those recipients where SSA's systems indicated they owned a home but did not have utility expenses recorded, we divided the BLS annual cost for utilities, \$1,368 (natural gas \$201; electricity \$900; and water and other public services \$267) by 12 months to arrive at an estimated monthly utility expense of \$114. For those recipients where SSA's systems indicated they rented, we did not include utility expenses since we could not determine whether the cost of utilities was included in the rental amount.</p>	\$114.00
<p>Miscellaneous Household Expenses (Housekeeping supplies): SSA does not specifically define what it considers miscellaneous household expenses in POMS SI 00810.035.C.2. Therefore, we used the BLS annual cost for housekeeping supplies of \$295 to arrive at an estimated amount. This includes laundry and cleaning supplies, other household products, postage, and stationery. Housekeeping supply costs likely vary depending on the number of people in the household. Therefore, we used two different amounts. For households with more than one person, we divided the BLS annual cost for housekeeping supplies by 12 months to arrive at the monthly expense of \$24.58. For households of only one person, we calculated the amount for a single household member. This was done by dividing the calculated monthly amount of \$24.58 by the BLS reported average number of people per household of 1.7. This resulted in a monthly expense of \$14.46.</p>	\$14.46/\$24.58
<p>Automobile and Other Transportation Expenses: (Gasoline and motor oil) (Public and other transportation)</p> <p>If SSA's systems showed a recipient owned a vehicle, we divided the BLS annual cost for gasoline and motor oil of \$1,112 by 12 months to arrive at an estimated expense of \$92.67. If there was no evidence in SSA's systems that a recipient owned a vehicle, we divided the BLS annual cost for public and other transportation of \$157 by 12 months to arrive at an estimated expense of \$13.08.</p>	\$92.67 \$13.08

Usual Monthly Living Expense (BLS Expenditure Category)	BLS Monthly Expense ⁶
<p>Other Expenses (Personal care products and services): SSA's definition of other expenses includes such items as newspapers, haircuts, and toilet articles. Therefore, we used the BLS category of personal care products and services of \$287 to estimate the other expenses. Personal care item costs likely vary depending on the number of people in the household. Therefore, we used two different amounts. For households with more than one person, we divided the BLS annual cost by 12 months to arrive at the monthly expense of \$23.92. For households of only one person, we divided the calculated monthly amount of \$23.92 by the BLS reported average number of people per household of 1.7. This resulted in a monthly expense of \$14.07.</p>	<p>\$14.07/\$23.92</p>

We conducted our audit between March and September 2013 in Kansas City, Missouri. The principal entity audited was the Office of Income Security Programs under the Office of Retirement and Disability Policy. We conducted our audit in accordance with generally accepted government auditing standards. Those standards require that we plan and conduct the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We tested the data obtained for our review and determined them to be sufficiently reliable to meet our objective. 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

We obtained a data extract—from one segment of the Social Security Administration’s (SSA) Supplemental Security Record (SSR)—that contained all recipients who received a Supplemental Security Income (SSI) payment in July 2011. From the extract, we identified a population of 128,524 blind or disabled SSI recipients who were

1. receiving at least 90 percent of the full 2011 Federal benefit rate in July 2011;
2. age 18 to 65; and
3. receiving benefits as individuals.

From the population of 128,524 blind or disabled SSI recipients, we selected a random sample of 250 to review to determine whether the potential for unstated income existed.

Table B–1: Population and Sample Size

Population Size (identified in 1 segment of the SSR)	128,524
Sample Size	250
Total Population (Population Size x 20 segments)	2,570,480

Of the 250 blind or disabled SSI recipients in our sample, we determined 25 may have spent approximately 80 percent or more of their income on rent/mortgage and food and had potential unstated income in July 2011 that would have resulted in overpayments of at least \$20 per person. We updated the income and expense information for the 25 recipients and found 21 were in current pay as of January 2014. Taking into account updated income and expense information, we found 14 of the 21 recipients still had potential unstated income. Based on the income and expense information from July 2011 for these 14 recipients, the potential unstated income for these 14 recipients totaled over \$3,000. Therefore, we project that 143,940 blind or disabled SSI recipients in our entire population had potential unstated income of \$31,010,080 in one month (see Table B–2).

Table B–2: Blind or Disabled SSI Recipients with Potential Unstated Income

Description	Number of Recipients	Amount of Unstated Income
Sample Results (for 1 segment)	14	\$3,015.98
Point Estimate (for 1 segment)	7,197	\$1,550,504
Projection – Lower Limit	4,394	\$555,663
Projection – Upper Limit	11,070	\$2,545,346
Population Estimate (Point Estimate x 20 segments)	143,940	\$31,010,080

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

The unstated income of these recipients would cause overpayments of approximately \$2,591 in 1 month. Therefore, based on the results of our review, we project that 143,940 blind or disabled SSI recipients in our population had potential overpayments of \$26,638,900 (see Table B–3).

Table B–3: Blind or Disabled SSI Recipients with Potential Overpayments Due to Unstated Income

Description	Number of Recipients	Amount of Overpayment
Sample Results (for 1 segment)	14	\$2,590.85
Point Estimate (for 1 segment)	7,197	\$1,331,945
Projection – Lower Limit	4,394	\$458,572
Projection – Upper Limit	11,070	\$2,205,318
Population Estimate (Point Estimate x 20 segments)	143,940	\$26,638,900

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

If all recipient circumstances remained the same and unstated income continued to go undetected, we estimate the 143,940 blind or disabled SSI recipients would have \$372,120,960 in potential unstated income annually, which would result in \$319,666,800 in potential overpayments. In addition, due to our referral to SSA, Recipient #1 had an overpayment of \$18,882 assessed. Of that amount, \$8,978 occurred between September 2011 and September 2012, making the total potential overpayments \$319,675,778 in 1 year (see Table B–4).

Table B–4: Blind or Disabled SSI Recipients with Potential Unstated Income –Annual Estimates

Description	Amount
Annual Potential Unstated Income for the Population (\$31,010,080 x 12 months)	\$372,120,960
Annual Potential Overpayments	\$319,675,778
Annual Potential Overpayments for the Population (\$26,638,900 x 12 months)	\$319,666,800
Actual Overpayment Assessed for Recipient #1 for September 2011 – September 2012	\$8,978

Appendix C – SAMPLE ERRORS

The following table shows the 25 blind or disabled SSI recipients who spent approximately 80 percent or more of their income on rent/mortgage and food and had potential unstated income that would have resulted in at least \$20 in overpayments. We updated the information for the 25 recipients and found 21 were in current pay as of January 2014. For those 21 recipients, we reviewed SSA’s systems to obtain income and expense information for January 2014. Based on analysis of the January 2014 information, 14 of the 21 recipients still had potential unstated income. Those 14 are highlighted in blue below, and are the cases from our sample we are recommending SSA look into for potential unstated income.

Table C–1: 25 Sample Errors – July 2011

#	Total Income	Housing & Food Expenses	Other Expenses	Potential Unstated Income	Potential Overpayment	Housing & Food as % of Income
1 ¹	\$674	(\$581)	(\$1,094)	(\$1,001)	\$674	86
2	\$674	(\$634)	(\$843)	(\$803)	\$674	94
3 ²	\$674	(\$656)	(\$748)	(\$730)	\$674	97
4	\$726	(\$766)	(\$219)	(\$259)	\$239	105
5	\$1,262	(\$1,222)	(\$279)	(\$239)	\$219	97
6	\$830	(\$674)	(\$369)	(\$213)	\$193	81
7	\$830	(\$772)	(\$254)	(\$196)	\$176	93
8	\$674	(\$642)	(\$217)	(\$185)	\$165	95
9	\$674	(\$637)	(\$202)	(\$165)	\$145	95
10	\$674	(\$659)	(\$140)	(\$125)	\$105	98
11	\$674	(\$656)	(\$140)	(\$122)	\$102	97
12	\$674	(\$680)	(\$88)	(\$94)	\$74	101
13	\$674	(\$694)	(\$73)	(\$93)	\$74	103
14	\$674	(\$593)	(\$169)	(\$88)	\$68	88
15	\$830	(\$709)	(\$206)	(\$85)	\$65	85
16	\$674	(\$586)	(\$167)	(\$79)	\$59	87
17	\$674	(\$656)	(\$88)	(\$70)	\$50	97
18	\$674	(\$656)	(\$88)	(\$70)	\$50	97
19	\$674	(\$656)	(\$88)	(\$70)	\$50	97
20	\$788	(\$690)	(\$167)	(\$69)	\$49	88

¹ This recipient’s information was sent to SSA for review. Because of our referral, the recipient stopped receiving payments and was assessed an \$18,882 overpayment. See Recipient #1 on page 9 for more information.

² This recipient’s information was sent to SSA for review. SSA referred the case to the appropriate region for action, but OIG had not received an update on the status as of the time of this report. See Recipient #2 on page 10 for more information.

#	Total Income	Housing & Food Expenses	Other Expenses	Potential Unstated Income	Potential Overpayment	Housing & Food as % of Income
21	\$674	(\$646)	(\$87)	(\$59)	\$39	96
22	\$674	(\$645)	(\$88)	(\$59)	\$39	96
23	\$674	(\$592)	(\$140)	(\$58)	\$38	88
24	\$674	(\$551)	(\$167)	(\$44)	\$24	82
25	\$674	(\$572)	(\$143)	(\$41)	\$21	85
				(\$5,017)	\$4,066	

Appendix D – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: April 11, 2014 Refer To: S1J-3

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

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “Supplemental Security Income Recipients with Excess Unstated Income” (A-07-12-11206) -- 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,
“SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH EXCESS UNSTATED
INCOME” (A-07-12-11206)**

General Comment

Preventing improper payments is critical to maintaining the public’s trust in our programs. Over the past year, we have expanded our use of our Access to Financial Institutions (AFI) program to identify and prevent improper payments due to undisclosed bank accounts. We have also initiated the non-home real property study, which uses LexisNexis real property data to assess eligibility for Supplemental Security Income (SSI) during initial claim and redetermination interviews. Both of these initiatives address issues that our stewardship reports identified as leading sources of improper payments.

Our quality review findings, specifically our SSI stewardship findings, do not support that unstated income is a major cause of SSI improper payments. In our reviews, we attempt to determine the source of the unstated income and attribute any resulting deficiency to that source, e.g., cash support or in-kind support and maintenance (ISM). Only when we are unable to determine the source of income that accounts for the difference between known income and living expenses do we cite an “unstated income” deficiency.

In fiscal year (FY) 2013, we reviewed 4,089 SSI stewardship cases. We identified 56 cases (1.4 percent) in which we had to address the issue of unstated income, i.e., known income was insufficient to provide for known living expenses. We found the beneficiary received previously unacknowledged income in 15 of these 56 cases. These 15 cases project to 22,915 recipients (0.3 percent of the total) who were issued SSI payments in FY 2013. The payment errors in these cases project to \$35.7 million in improper payments. In only one of the 15 cases did we cite an “unstated income” deficiency, i.e., one case in which we could not account for the unexplained difference between known income and expenses. This single case projects to 917 cases and represents approximately \$2 million in improper payments.

The estimates of potential unstated income and potential overpayments presented by the Office of the Inspector General (OIG) are likely to be overestimates of the results of actual development for a number of reasons. A common occurrence in these cases is some form of ISM, which we cap at the presumed maximum value (currently \$260.33/month). Often, a relative is helping the recipient with his or her living expenses by paying the vendor directly. Even then, only if the vendor payment is for a food or shelter item do we count it as ISM. We do not count third-party vendor payments for any other expense, e.g., clothing, transportation, and medication, as income.

We also exclude from income any ISM item, including food and shelter, provided by a government medical or social services program. In addition, we exclude any ISM item other than food or shelter provided by a non-governmental medical or social service. These are examples of how the extensive development of unstated income can be, and often is, unproductive in terms of identifying countable income.

Recommendation 1

Use a process similar to that in our analysis to explore unstated income for the 14 recipients who still have potential unstated income.

Response

We will explore unstated income for the 14 recipients OIG identified. However, rather than use the process in the audit, we will use our current longstanding process for SSI stewardship reviews to evaluate the identified cases and determine if unstated income exists. We plan to complete this review within 60 days.

Recommendation 2

Based on those results, determine if the process for exploring unstated income should be strengthened for SSI-eligible individuals who report spending the majority of their income on rent/mortgage and food alone.

Response

We agree. Based on the results of the case review, we will determine if we should update our policy.

Appendix E – MAJOR CONTRIBUTORS

Mark Bailey, Director, Kansas City Audit Division

Shannon Agee, Audit Manager

Kenneth Bennett, Audit Data Specialist

Katherine Muller, Senior Auditor

Brennan Kraje, Statistician

Charles Zaepfel, IT Specialist

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 (<http://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 <http://oig.ssa.gov/audits-and-investigations/audit-reports/all>. For notification of newly released reports, sign up for e-updates at <http://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: <http://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