
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CONTROLS OVER “SPECIAL PAYMENT
AMOUNT” OVERPAYMENTS
FOR TITLE II BENEFICIARIES**

September 2009

A-09-09-29011

AUDIT REPORT



Mission

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- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

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SOCIAL SECURITY

MEMORANDUM

Date: September 23, 2009

Refer To:

To: The Commissioner

From: Inspector General

Subject: Controls over "Special Payment Amount" Overpayments for Title II Beneficiaries
(A-09-09-29011)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) properly identified and controlled overpayments recorded as "special payment amounts" (SPA) on the Master Beneficiary Record (MBR).

BACKGROUND

An overpayment is the total amount an individual received for any period that exceeds the total amount that should have been paid. Once a determination of an overpayment is made, the overpaid amount is a debt owed to the Government.¹ In some instances, an overpayment may be temporarily recorded as an SPA on the MBR until the amount has been validated.

If the SPA overpayment is a legally defined overpayment,² it should be removed from the MBR and recorded in SSA's Recovery of Overpayments, Accounting and Reporting (ROAR) System, which controls the recovery and collection activity of all Title II overpayments until they are repaid or otherwise resolved.³ SSA's automated system generates an alert whenever a SPA overpayment is established on the MBR. SSA employees must manually process these alerts to establish and resolve the overpayments. SSA also conducts an annual clean-up project as an additional control to ensure SPA overpayments are removed from the MBR and established in ROAR.

¹ SSA, Program Operations Manual System (POMS), GN 02201.001.

² Legally defined overpayments are overpayments attributable to situations such as incorrect month of entitlement, incorrect computations, multiple entitlements, etc. See POMS, SM 00510.565 C.3.a.

³ SSA, POMS, SM 00610.001.

A prior Office of the Inspector General (OIG) audit⁴ identified about \$11.2 million in SPA overpayments that had not been recorded in ROAR. In addition, the audit identified approximately \$26.3 million in erroneous SPA overpayments recorded on the MBR.

We estimate that, as of March 2008, there were approximately 25,480 Title II beneficiaries who were in suspended or terminated pay status between January 1997 and December 2006.⁵ According to the MBR, these beneficiaries had \$144.5 million in SPA overpayments.

RESULTS OF REVIEW

SSA needs to improve its controls over SPA overpayments to ensure recovery actions are initiated timely and overpayments are controlled and tracked until recovered or otherwise resolved. Specifically, we found that SSA did not always properly establish valid overpayments in ROAR or remove erroneous SPA overpayments from the MBR. This occurred, in part, because SSA employees did not always review the SPA overpayments or resolve the SPA overpayment alerts. Based on a random sample of 200 beneficiaries, we estimate that

- 11,840 beneficiaries received \$65.3 million in overpayments for which SSA had not initiated or pursued recovery actions, and
- 4,840 beneficiaries had \$27.5 million in erroneous SPA overpayments that should have been removed from the MBR (see Appendix C).

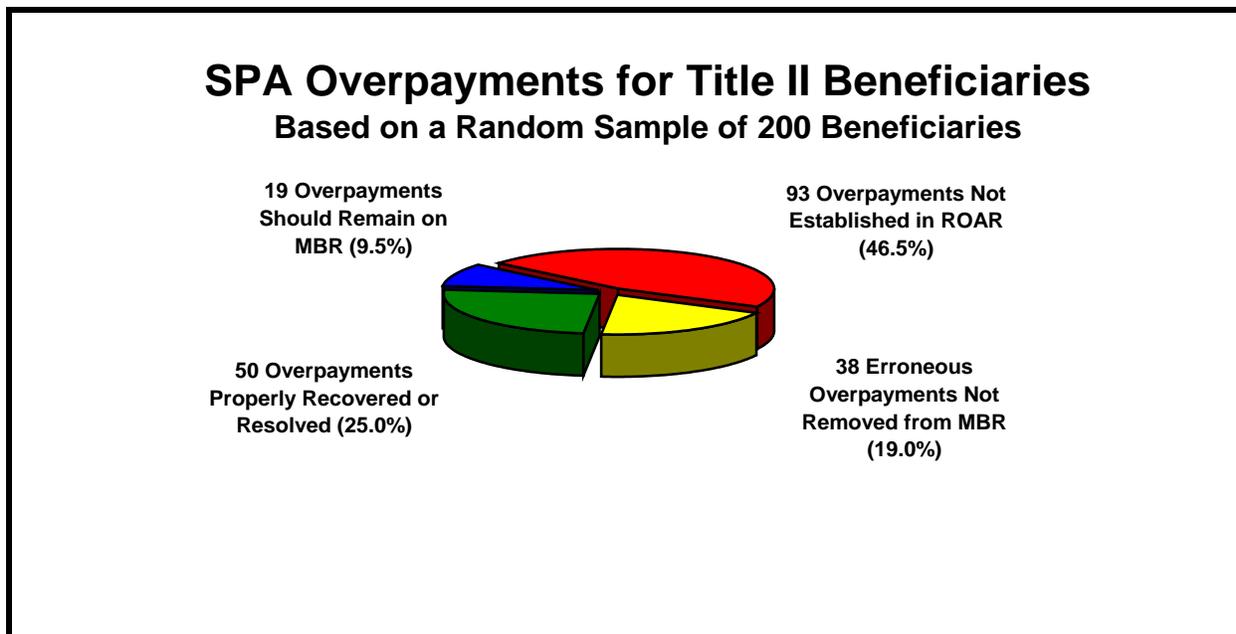
We also found SSA's annual clean-up project was generally effective in identifying unresolved SPA overpayments. However, SSA could improve its annual clean-up project by identifying and selecting additional SPA overpayments for review.

SPA OVERPAYMENTS FOR TITLE II BENEFICIARIES

Based on a random sample of 200 beneficiaries, we found SSA had not (1) established \$512,293 in valid overpayments in ROAR for 93 beneficiaries or (2) removed \$216,137 in erroneous SPA overpayments from the MBR for 38 beneficiaries. We also found that \$302,354 in overpayments was properly recovered or resolved for 50 beneficiaries, and \$64,877 in SPA overpayments should remain on the MBR for 19 beneficiaries. Our sample results are summarized below.

⁴ *The Social Security Administration's Controls Over Master Beneficiary Record Special Payment Amounts* (A-01-96-62002), September 1998.

⁵ The MBR is divided into 20 segments, each segment representing 5 percent of all records. We identified a population 1,274 records from 1 segment of the MBR. As a result, we estimate that 25,480 beneficiaries (1,274 x 20) with SPA overpayments of \$500 or more were in suspended or terminated pay status between January 1997 and December 2006.



Unresolved SPA Overpayments

For 93 (46.5 percent) of the 200 beneficiaries in our sample, SSA had not established \$512,293 in valid overpayments in ROAR. These overpayments were attributable to SSA retroactively suspending or terminating benefits when it learned of events that affected the beneficiaries' entitlement to benefits. However, SSA did not review the SPA overpayment amounts to determine their potential for collection. Had SSA reviewed these amounts, the overpayments could have been validated, established, and possibly recovered.

SPA overpayments generally result from the retroactive suspension or termination of benefits. Additionally, SPA overpayments are not controlled by ROAR. Therefore, manual intervention is required to review the SPA overpayments and determine whether they are valid or erroneous. Valid SPA overpayments are removed from the MBR and established in ROAR for control and tracking until recovered or otherwise resolved.

The reasons for retroactive suspension or termination of benefits include (1) retired beneficiaries' work and earnings, (2) disabled beneficiaries with substantial gainful activity, (3) beneficiaries who were no longer disabled, (4) individuals who were not U.S. citizens or naturalized, and (5) beneficiaries who were incarcerated. In these instances, SSA will usually establish overpayments in ROAR to initiate or pursue recovery actions.

For example, in August 2005, SSA retroactively suspended payments to a beneficiary because of substantial gainful activity and terminated benefits because of disability cessation. Upon termination, we determined SSA had overpaid the beneficiary \$39,716. SSA established a \$6,589 overpayment resulting from disability cessation but did not include the \$33,127 overpayment resulting from substantial gainful activity. As of April 2009, the SPA overpayment of \$33,127 still remained on the MBR.

Erroneous SPA Overpayments

For 38 (19 percent) of the 200 beneficiaries in our sample, SSA had not removed \$216,137 in erroneous SPA overpayments from the MBR. We found SSA had properly reviewed, recovered, or resolved the overpayments but did not always delete the SPA overpayments from the MBR. Although the erroneous SPA overpayments did not affect the amount of valid overpayments, they should have been removed to ensure SSA's payment records were accurate and up-to-date. Removing erroneous overpayments on the MBR prevents withholding of these amounts from future benefits that may be payable to the beneficiaries.

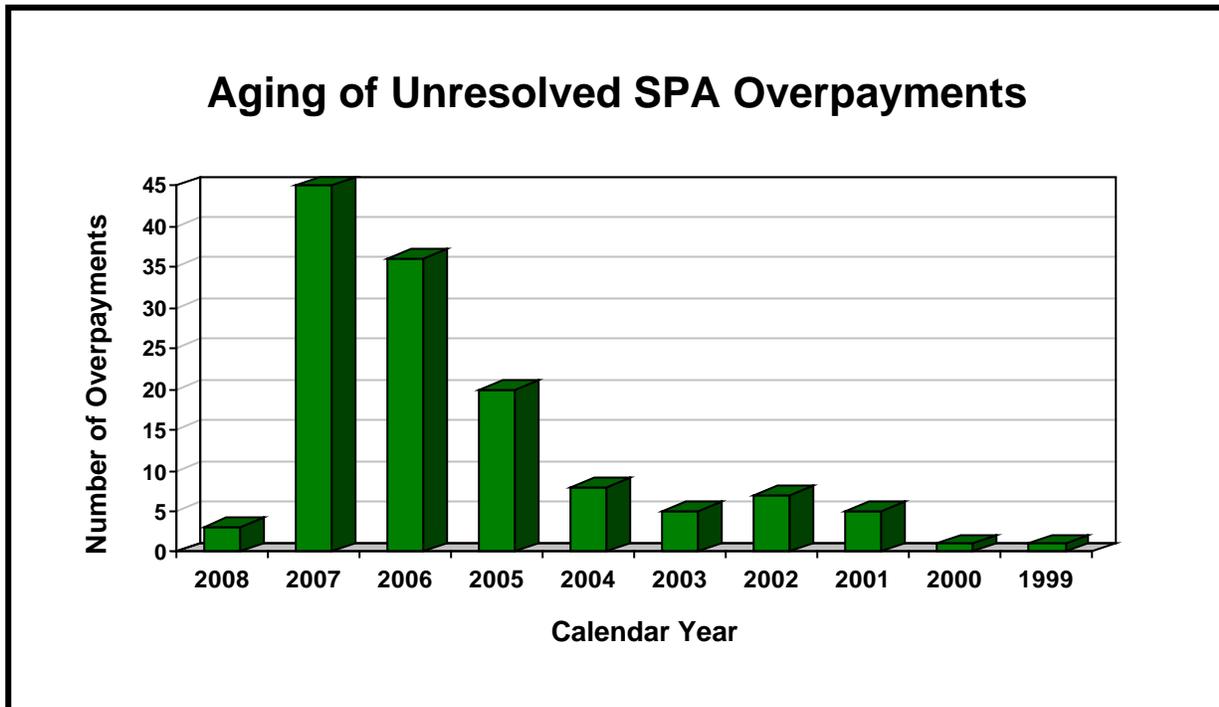
In 28 of the cases, the SPA overpayments should have been removed from the MBR because SSA had taken appropriate actions to establish, recover, or resolve the overpayments. In the remaining 10 cases, the SPA overpayments resulted from processing errors and were not overpayments at all.

Timeliness in Resolving SPA Overpayment Alerts

SSA needs to improve controls to ensure SPA overpayments are properly and timely reviewed, recovered, and resolved. SSA's automated system generates an initial alert when a SPA overpayment is established on the MBR. These alerts require that SSA employees manually review the overpayment to determine whether further development is necessary. For 131 (65.5 percent) of the 200 beneficiaries in our sample,⁶ SSA had not properly reviewed or resolved the SPA overpayments when the alerts were generated. As a result, we identified \$728,430 in overpayments for which corrective action had not been taken.

Of the 131 SPA overpayments questioned by our audit, we found the average age of the SPA overpayments was about 3 years. Of these, we determined that 27 (20.6 percent) of the 131 SPA overpayments were over 4 years old. As depicted in the chart below, some of the overpayment alerts had not been reviewed or resolved as far back as October 1999.

⁶ Includes 93 valid overpayments that were not established in ROAR and 38 erroneous SPA overpayments that were not removed from the MBR.



ANNUAL SPA CLEAN-UP PROJECT COULD BE IMPROVED

SSA conducts an annual SPA clean-up project to select Title II beneficiaries with unresolved SPA overpayments on the MBR. This annual project identifies and generates a follow-up alert that requires that SSA employees determine whether the SPA overpayment has been resolved, and if necessary, initiate overpayment recovery actions.

We found SSA could improve its annual clean-up project by identifying and selecting additional SPA overpayments on the MBR for review. Specifically, the selection criteria excluded SPA overpayments for dually and technically entitled beneficiaries whose benefits had been suspended. Of the 131 SPA overpayments questioned by our audit, we found 20 (15.3 percent), totaling \$120,833, were neither included in SSA's annual clean-up project nor identified and otherwise resolved by SSA employees. These overpayments should have been established in ROAR or removed from the MBR. The remaining 111 SPA overpayments were identified by SSA's annual clean-up project but had not been timely resolved.

Dually and technically entitled beneficiaries are eligible for benefits on more than one earnings record. For example, individuals may be entitled to retirement benefits on their own earnings record and also entitled to spousal benefits on another record. However, the total benefit amount may not exceed the highest single benefit to which that individual is entitled. For dual entitlement, the combined benefits are usually issued as one payment under the beneficiary's own earnings record.⁷ For technical entitlement, the beneficiary is entitled on more than one record but is only eligible to receive a payment on one of the records.⁸

For example, in June 2007, SSA retroactively suspended payments for a beneficiary back to December 2006 because of dual entitlement. We determined that \$1,338 of the \$1,818 SPA overpayment was valid and should have been established in ROAR.⁹ However, as of April 2009, SSA had not reviewed or resolved the SPA overpayment. If SSA's annual clean-up project selected dually entitled beneficiaries, the overpayment would have been identified and possibly established and resolved.¹⁰

CONCLUSION AND RECOMMENDATIONS

We found SSA did not always establish valid overpayments in ROAR or remove erroneous SPA overpayments from the MBR. Based on our review, we estimate that (1) 11,840 beneficiaries received \$65.3 million in overpayments for which SSA had not initiated or pursued recovery actions and (2) 4,840 beneficiaries had \$27.5 million in erroneous SPA overpayments that should have been removed from the MBR (see Appendix C). In addition, we found SSA could improve its annual clean-up project by identifying and selecting additional SPA overpayments on the MBR for review.

⁷ SSA, POMS, RS 00615.020, GN 02401.025 and SM 00823.001.

⁸ SSA, POMS, SM 00820.300 A.

⁹ The \$480 difference between the \$1,818 SPA overpayment and \$1,338 valid overpayment occurred because SSA incorrectly awarded retirement benefits 4 months before full retirement age.

¹⁰ SSA's annual clean-up project selects SPA overpayments that are at least 2 years old. At the time of our audit, the clean-up project would not have selected this SPA overpayment because it was less than 2 years old. More importantly, the clean-up project is not currently designed to select dually entitled beneficiaries with SPA overpayments, regardless of their age.

We encourage SSA to improve its controls over SPA overpayments to ensure recovery actions are initiated and overpayments are controlled and tracked until recovered or otherwise resolved. The recovery of overpayments is hampered if timely actions are not initiated when the initial SPA overpayment alerts are generated. Therefore, we recommend that SSA:

1. Establish overpayments in ROAR and initiate or pursue recovery actions for the 93 beneficiaries identified by our audit.
2. Remove erroneous SPA overpayments from the MBR for the 38 beneficiaries identified by our audit.
3. Improve compliance to ensure SPA overpayment alerts are reviewed and resolved in a timely manner.
4. Modify the selection criteria for the annual SPA clean-up project to include dually and technically entitled beneficiaries whose benefits have been suspended.

AGENCY COMMENTS

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



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

MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
ROAR	Recovery of Overpayments, Accounting and Reporting
SPA	Special Payment Amount
SSA	Social Security Administration

Scope and Methodology

We obtained a data extract from one segment of the Social Security Administration's (SSA) Master Beneficiary Record (MBR). From this extract, we identified a population of 1,274 Title II beneficiaries with a "special payment amount" (SPA) overpayment of \$500 or more, and a date of suspension or termination between January 1997 and December 2006. We selected a random sample of 200 beneficiaries from the population for review.

To accomplish our objective, we

- reviewed SSA's Program Operations Manual System and other policy memorandums;
- interviewed SSA employees from the Western Program Service Center and the Offices of Financial Policy and Operations, Public Services and Operations Support, and Retirement and Survivors Insurance Systems;
- reviewed queries from SSA's MBR and Payment History Update System for each sample item; and
- obtained and reviewed electronic folders, including the Paperless System and Online Retrieval System, to determine the nature and extent of actions taken by SSA.

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

We performed our audit in Richmond, California, between October 2008 and April 2009. The entity reviewed was the Deputy Commissioner for Operations.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sampling Methodology and Results

We obtained a data extract from one segment of the Social Security Administration’s (SSA) Master Beneficiary Record (MBR) of Title II beneficiaries with a “special payment amount” (SPA) overpayment of \$100 or more. From this extract, we identified a population of 1,274 Title II beneficiaries with a SPA overpayment of \$500 or more and a date of suspension or termination between January 1997 and December 2006. From this population, we selected a random sample of 200 beneficiaries to determine whether SSA properly identified and controlled SPA overpayments on the MBR.

Based on a random sample of 200 beneficiaries, we found SSA had not (1) established \$512,293 in valid overpayments in the Recovery of Overpayments, Accounting and Reporting System for 93 beneficiaries and (2) removed \$216,137 in erroneous SPA overpayments from the MBR for 38 beneficiaries. Projecting these results to all 20 MBR segments, we estimate that (1) 11,840 beneficiaries received \$65.3 million in overpayments for which SSA had not initiated or pursued recovery actions and (2) 4,840 beneficiaries had \$27.5 million in erroneous SPA overpayments that should have been removed from the MBR.¹ The following tables provide the details of our sample results and statistical projections.

Table 1: Population and Sample Size	Number
Population Size (Data extract from 1 segment)	1,274
Sample Size	200
Estimate for Entire MBR ²	25,480

Table 2: Overpayments	Number	Amount
Sample Results	93	\$512,293
Point Estimate	592	\$3,263,306
Projection - Lower Limit	523	\$2,567,141
Projection - Upper Limit	663	\$3,959,470
Estimate for Entire MBR ³	11,840	\$65,266,120

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

¹ The MBR is divided into 20 segments, each segment representing 5 percent of all records. We identified a population 1,274 records from 1 segment of the MBR. As a result, we estimate that 25,480 beneficiaries (1,274 x 20) with SPA overpayments of \$500 or more were in suspended or terminated pay status between January 1997 and December 2006.

² Represents the population multiplied by 20 segments.

³ Represents the point estimate multiplied by 20 segments.

Table 3: Erroneous Payments	Number	Amount
Sample Results	38	\$216,137
Point Estimate	242	\$1,376,792
Projection - Lower Limit	190	\$853,552
Projection - Upper Limit	302	\$1,900,031
Estimate for Entire MBR ⁴	4,840	\$27,535,840

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

⁴ *Id.*

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: September 8, 2009 **Refer To:** S1J-3

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

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

Subject: Office of the Inspector General (OIG) Draft Report, "Special Payment Amount Overpayments for Title II Beneficiaries" (A-09-09-29011)--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 findings and 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 extension 54636.

Attachment:
SSA Response

**COMMENTS ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT
“SPECIAL PAYMENT AMOUNT OVERPAYMENTS FOR TITLE II BENEFICIARIES”
(A-09-09-29011)**

Below please find our comments to the draft report findings and recommendations.

Recommendation 1

Establish overpayments in Recovery of Overpayments, Accounting, and Reporting system and initiate or pursue recovery actions for the 93 beneficiaries identified by our audit.

Comment

We agree. We will take action on these cases by December 2009.

Recommendation 2

Remove erroneous special payment amounts (SPA) overpayments from the master beneficiary record for the 38 beneficiaries identified by our audit.

Comment

We agree. We will take action on these cases by December 2009.

Recommendation 3

Improve controls to ensure SPA overpayment alerts are reviewed and resolved in a timely manner.

Comment

We agree. We will investigate the feasibility of creating a follow-up alert by November 2009. If the creation of a follow-up alert is not feasible, we will issue a reminder to staff to process SPA overpayment alerts.

The findings did not identify a system control issue. Therefore, we request that you modify the recommendation to state, “Improve compliance...” instead of “Improve controls...”

Recommendation 4

Modify the selection criteria for the annual SPA clean-up project to include dually and technically entitled beneficiaries whose benefits have been suspended.

Comment

We agree. We will identify additional selection criteria for use during the SPA clean-up project and will modify the selection criteria as resources allow.

OIG Contacts and Staff Acknowledgments

OIG Contacts

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Acknowledgments

In addition to those named above:

Regina Finley, 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-09-09-29011.

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OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

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