OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

Evaluation Report

The Social Security Administration's Compliance with the *Improper Payments Elimination and Recovery Act of 2010* in the Fiscal Year 2012 Performance and Accountability Report

A-15-13-13067 | March 2013

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: March 15, 2013 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Compliance with the *Improper Payments Elimination and Recovery Act of 2010* in the Fiscal Year 2012 Performance and Accountability Report (A-15-13-13067)

The attached final report presents the results of our review. Our objectives were to review the Improper Payments Information section of the Fiscal Year 2012 Performance and Accountability Report and determine whether the Social Security Administration met all requirements of the *Improper Payments Elimination and Recovery Act of 2010*. In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

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

The Social Security Administration's Compliance with the *Improper Payments Elimination and Recovery Act of 2010* in the Fiscal Year 2012 Performance and Accountability Report A-15-13-13067

March 2013 **Office of Audit Report Summary**

Objectives

To review the Improper Payments Information section in the Fiscal Year (FY) 2012 Performance and Accountability Report (PAR) and determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

Background

On July 22, 2010, the President signed IPERA into law. IPERA amended the *Improper Payments Information Act of 2002* (IPIA) to prevent the loss of billions in taxpayer dollars. The Office of Management and Budget issued Government-wide guidance on the implementation of IPIA, as amended by IPERA, in April 2011.

Our Findings

During our review, we found that the Agency met the requirements of IPIA. The Agency accurately reported improper payment information and produced a substantially complete report. However, SSA could improve reporting by including information on significant changes in improper payment amounts.

Our Recommendation

Based on our review, we recommend that in accordance with OMB guidance, SSA should annually review its existing corrective actions to determine whether any existing action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments.

The Agency agreed with our recommendation.

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ABBREVIATIONS

AFI	Access to Financial Institutions
AFR	Annual Financial Report
DI	Disability Insurance
FY	Fiscal Year
IPERA	*Improper Payments Elimination and Recovery Act of 2010*
IPIA	*Improper Payments Information Act of 2002*
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQP	Office of Quality Performance
PAR	Performance and Accountability Report
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

OBJECTIVES

Our objectives were to review the Improper Payments Information section in the Fiscal Year (FY) 2012 Performance and Accountability Report (PAR) and determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Act of 2010* (IPERA). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

BACKGROUND

On July 22, 2010, the President signed IPERA[1] into law. IPERA amended the *Improper Payments Information Act of 2002* (IPIA)[2] to prevent the loss of billions in taxpayer dollars. The Office of Management and Budget (OMB) issued Government-wide guidance on the implementation of IPIA, as amended by IPERA,[3] in April 2011.[4]

Under IPIA, the head of each agency shall periodically review and identify all programs and activities it administers that may be susceptible to significant improper payments based on guidance provided by the Director of OMB.[5] IPIA generally defines significant improper payments as $10 million of all program or activity payments made during the FY reported and 2.5 percent of program outlays or $100 million.[6] For each program and activity identified, the agency is required to produce a statistically valid estimate, or an estimate methodology otherwise approved by OMB, of the improper payments and include such estimates in the accompanying materials to the agency's annual financial statements.[7]

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[1] Pub. L. No. 111-204, 124 Stat. 2224 (2010).

[2] Pub. L. No. 107-300, 116 Stat. 2350 (2002).

[3] Unless otherwise indicated, from this point forward in this report the term "IPIA" will imply "IPIA, as amended by IPERA." Even though IPERA amends IPIA, the authorizing legislation is still named IPIA.

[4] OMB Circular A-123, *Management's Responsibility for Internal Controls*, Appendix C, Parts I and II, April 2011.

[5] Pub. L. No. 111-204 § 2(a)(1), 124 Stat. 2224 (2010).

[6] Pub. L. No. 111-204 § 2(a)(3), 124 Stat. 2224-2225 (2010). However, for FYs beginning before FY 2013, IPIA defines significant improper payments as $10 million of all program or activity payments made during the FY reported and 1.5 percent of program outlays, or $100 million.

[7] Pub. L. No. 111-204 § 2(b), 124 Stat. 2224, 2225 (2010).

The agency is required to prepare a report on actions it took to reduce improper payments for programs or activities with significant improper payments.[8] The report must contain, among other things, (1) a description of the causes of improper payments, actions planned or taken to correct those causes, and the planned or actual completion date of the actions taken to address those causes and (2) program- and activity-specific targets for reducing improper payments that the Director of OMB has approved.[9]

The agency is required to report on all actions it took to recover improper payments identified in recovery audits required by IPIA,[10] including

- a discussion of the methods used to recover overpayments;
- the amounts recovered, outstanding, and determined not collectable, including the percent such amounts represent of the agency's total overpayments;
- a justification for determining overpayments are not collectable;
- an aging schedule of the amounts outstanding;
- a summary of how recovered amounts are disposed of; and
- a discussion of any conditions giving rise to improper payments and how those conditions are being resolved.[11]

The agency is also required to provide a justification if it determined that performing recovery audits for any program or activity was not cost-effective.[12]

Responsibilities of the Agencies' Inspectors General

OMB guidance specifies that each agency's Inspector General should review improper payment reporting in the agency's annual PARs or Annual Financial Report (AFR) and accompanying materials to determine whether it complied with IPIA.

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[8] Pub. L. No 111-204 § 2(c), 124 Stat. 2224, 2225-2226 (2010).

[9] Pub. L. No. 111-204 § 2(c)(1) and (4), 124 Stat. 2224, 2225-2226 (2010).

[10] IPIA generally requires that such audits be conducted, unless prohibited by law, for each program and activity of the agency that expends $1 million or more annually if conducting such audits would be cost-effective. Pub. L. No. 111-204 § 2(h), 124 Stat. 2224, 2228-2229 (2010).

[11] Pub. L. No. 111-204 § 2(d), 124 Stat. 2224, 2226 (2010).

[12] Pub. L. No. 111-204 § 2(d)(7), 124 Stat. 2224, 2227 (2010).

According to OMB guidance, compliance with IPIA means that the agency has

- published a PAR or AFR for the most recent FY and posted that report and any accompanying OMB-required materials on the agency Website;
- conducted a specific risk assessment for each program or activity that conformed with section 3321 of Title 31 U.S.C. (if required);
- published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- published programmatic corrective action plans in the PAR or AFR (if required);
- published, and met, annual reduction targets for each program assessed to be at risk and measured for improper payments;
- reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the PAR or AFR; and
- reported information on its efforts to recapture improper payments.[13]

If an agency does not meet one or more of these requirements, it is not compliant with IPIA. The agency's Inspector General should also evaluate the accuracy and completeness of agency reporting and performance in reducing and recapturing improper payments.[14] See Appendix A for our scope and methodology.

RESULTS OF REVIEW

Our review determined that SSA (1) met the IPIA requirements, (2) accurately reported improper payment information, and (3) produced a substantially complete report.

Compliance with IPIA

We reviewed the Improper Payments Information section of the FY 2012 PAR to ensure the Agency included all information required by IPIA. Based on our review, we determined that the Agency reported all required information.

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[13] OMB Circular A-123, *Management's Responsibility for Internal Controls*, Appendix C, Part II, *Compliance with the Improper Payment Requirements*, § (A)(4), April 2011. As previously noted, IPERA has amended IPIA.

[14] Id.

Accuracy and Completeness of IPIA Reporting

We requested supporting documentation for all figures to evaluate the accuracy of the IPIA Report in the FY 2012 PAR. SSA provided supporting documentation for all figures in the Report; however, we noted one minor inconsistent statement that documentation did not accurately support. SSA reported in the FY 2012 PAR that the major causes of improper administrative payments included duplicate payments to vendors; however, documentation showed that SSA made very few duplicate administrative payments in FY 2011. SSA also reported that administrative expenses are not susceptible to significant improper payments as defined by IPIA.

We also requested an explanation from the Agency for improper payment amounts with significant dollar changes, as outlined in Table 1.

Table 1: Change in Error Dollars

	FY 2009	FY 2010	Change from FYs 2009 to 2010	FY 2011	Change from FYs 2010 to 2011
Old-Age and Survivors Insurance (OASI) Overpayment Error	$841	$1,878	⇑ $1,037	$653	⇓ $1,225
Disability Insurance (DI) Underpayment Error	$191	$1,261	⇑ $1,070	$479	⇓ $782
DI Overpayment Error	$1,706	$844	⇓ $862	$1,624	⇑ $780
Supplemental Security Income (SSI) Underpayment Error	$787	$1,227	⇑ $440	$947	⇓ $280

Note: Dollars in millions**.**

In response, the Agency stated, “None of the rate increases or decreases were statistically significant in either the Old-Age, Survivors and Disability Insurance (OASDI) program or the SSI program. Since there are no statistically significant differences between the two years, there is no explanation to offer. The numbers fall within the variance at the 95% confidence level, therefore they are statistically the same.” Table 1 shows that although the differences from year to year may not be statistically significant, the error dollars had an inverse change from FYs 2009 to 2010 and then from FYs 2010 to 2011. For example, the OASI overpayment error dollars increased from $841 million in FY 2009 to $1,878 million in FY 2010. The overpayment error dollars then decreased from the $1,878 million in FY 2010 to $653 million in FY 2011. Although the changes may not appear to be statistically significant, the Agency should consider explaining fluctuations of $100 million or more especially when the fluctuations change from an increase in 1 year to a decrease the following year.

Performance in Reducing and Recapturing Improper Payments

We believe the Agency's corrective action plans were focused on the appropriate root causes and recapturing improper payments. When evaluating SSA's performance in reducing and recapturing improper payments, we reviewed our prior audit reports and corresponding recommendations. We also reviewed the change in deficiency dollars reported by the Agency in the IPIA section of the PAR in relation to corrective actions that have been implemented.

Agency Performance

SSA identified the major causes of OASDI and SSI improper payments in its IPIA reporting. For each major cause, the Agency developed corrective action plans. To address one major cause of SSI overpayments, financial accounts, the Agency implemented its Access to Financial Institutions (AFI) plan, which was expanded it nationwide in June 2011. Despite the implementation of this project, the average amount of overpayment deficiency dollars[15] relating to financial accounts has steadily increased over the past few FYs. For instance, the 5-year average in FY 2009 was $892 million, as reported in the FY 2012 IPIA Report, and increased to $963 million in FY 2010 and $1,001 million in FY 2011. According to the Agency, although the average deficiency dollars have continued to increase, the change in actual deficiency dollars from FYs 2010 to 2011 only increased $12 million. The Agency also stated that deficiency dollars related to financial accounts have not seen a decline because "AFI was not rolled out nationally until June 2011. In other words, AFI was only in effect nationally for the last quarter of FY 2011." For next year's reporting, the Agency should consider assessing the impact of the AFI program on the improper payment deficiency dollars to ensure the program has had a positive effect. The Agency should also continue identifying alternative actions to decrease deficiency dollars and assess corrective actions for the major causes where the improper payment rate continued to increase.

OIG Audits

Since the majority of the Agency's corrective action plans had ongoing target completion dates, we have not evaluated their impact on reducing and recapturing improper payments. However, from April through September 2012, we issued 56 reports that identified over $135 million in questioned costs and over $2.6 billion in Federal funds that could be put to better use. A number of these reports focused on the SSA management challenge to reduce improper payments.

See Appendix B for our audits focused on reducing SSA's improper payments and increasing overpayment recoveries, issued from December 2011 through December 2012.

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[15] Some cases had more than one "error" causing an incorrect payment. Each of these "errors" was referred to as a deficiency.

In addition to the audits we have completed, we issued a start notice in December 2012 for a review of the Agency's telephone wage reporting system, which is one of the Agency's corrective actions for reducing SSI improper payments. This audit will focus on the program's effectiveness and whether the system has reduced improper payments. Our FY 2013 Audit Work Plan also includes a review of whether the AFI program is useful in identifying undisclosed bank accounts and verifying bank account balances.

Analysis of Over- and Underpayments Noted During Stewardship Reviews

During our review of SSA's FY 2011 IPIA Report,[16] we analyzed a sample of over- and underpayments from the Agency's stewardship reviews to determine whether SSA recorded and collected overpayment amount(s) or recorded and paid underpayment amount(s), as appropriate. We noted several items during our review, including several cases that SSA needed to release or return to the appropriate parties because corrective actions on the SSA-93-U4 (SSA-93) *Quality Review Feedback Report*, (1) had not been taken or (2) were processed incorrectly. While we did not review a sample of SSA-93s for this report, we did follow up with the Agency to determine whether corrective actions were taken on these cases. In the Agency's responses, we noted it took corrective actions on all issues noted during our prior year review.

SSA also provided an update for how it was improving its SSA-93 report process. SSA proposed a risk-based approach where it will verify corrective actions taken on the SSA-93s. The Office of Quality Performance (OQP) will track the SSA-93s and will verify that the responsible component took corrective action. If corrective actions are not taken within 90 days, OQP will alert Operations and advise them what additional action(s) need to be taken.

CONCLUSIONS

During our review, we found that the Agency met the requirements of IPIA. The Agency accurately reported improper payment information and produced a substantially complete report. However, SSA could improve reporting by including information on significant changes in improper payment amounts.

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[16] SSA OIG, *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2011 Performance and Accountability Report* (A-15-12-11244), March 2012.

As part of evaluating the Agency's performance in reducing and recapturing improper payments, we analyzed the average deficiency dollars reported for areas where SSA has implemented corrective actions. We noted that for one area, financial accounts, average and actual deficiency dollars have increased despite the implementation of the AFI program. Since the AFI program was only rolled out nationally to all 50 States, the District of Columbia, and the Northern Mariana Islands for one quarter in FY 2011, the Agency should consider assessing whether this program has had a positive effect on the improper payment rates in future reporting. We will also continue evaluating SSA's performance in reducing and recapturing improper payments through other audit work.

RECOMMENDATION

Based on our review, we recommend that in accordance with OMB guidance SSA should annually review its existing corrective actions to determine whether any existing action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments.

AGENCY COMMENTS

SSA agreed with the recommendation.

APPENDICES

Appendix A – Scope and Methodology

To accomplish our objectives, we:

- Reviewed the Management's Discussion and Analysis and Improper Payments Information Detailed Report in the Social Security Administration's (SSA) Fiscal Year 2012 Performance and Accountability Report (PAR) to ensure compliance with all requirements of the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010*.

- Reviewed applicable Federal laws, Office of Management and Budget guidance, and SSA Program Operations Manual System policy.

- Requested source data from the Office of Quality Performance (OQP) to support the figures in the PAR.

- Analyzed the source data to ensure accuracy and completeness of all figures.

We determined the computerized data used during our review were sufficiently reliable given our objective, and the intended use of the data should not lead to incorrect or unintentional conclusions.

We performed our review from November 2012 through January 2013 in Baltimore, Maryland. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation.*

Appendix B – Reports on Reducing the Social Security Administration's Improper Payments and Increasing Overpayment Recoveries

1. *The Social Security Administration's Development of Earnings Alerts for Supplemental Security Income Recipients* (A-02-11-11185), December 2012.

2. *Childhood Disability Beneficiaries with an Incorrect Waiting Period* (A-09-11-21158), December 2012.

3. *Accumulated Funds Payment to Beneficiaries or Their Representative Payees* (A-09-12-21236), December 2012.

4. *Supplemental Security Income Recipients Eligible for, or Receiving, Russian Pensions* (A-01-12-21238), December 2012.

5. *Deceased Beneficiaries Who Had Different Dates of Death on the Social Security Administration's Numident and Payment Records* (A-09-12-11220), December 2012.

6. *Supplemental Security Income Applicants with Earnings Received After Disability Onset Dates and Before Favorable Hearing Decisions* (A-02-10-20128), October 2012.

7. *Supplemental Security Income Recipients Whose Medicare Benefits Were Terminated Due to Death* (A-01-11-01135), October 2012.

8. *Claimant Rep Fees Paid but Not Withheld from Title II Past-Due Benefits* (A-04-11-11102), October 2012.

9. *CRR: Supplemental Security Income Recipients with Automated Teller Machine Withdrawals Outside the United States* (A-01-11-01122), September 2012.

10. *The Social Security Administration's Foreign Enforcement Questionnaires* (A-13-10-11098), September 2012.

11. *MAR: Supplemental Security Income Payments to Multi-Recipient Households* (A-06-09-29149), August 2012.

12. *Using Medicare Claim Data to Identify Deceased Beneficiaries* (A-08-09-19105), August 2012.

13. *Significance of Administrative Finality in Social Security Administration's Programs* (A-08-11-21107), July 2012.

14. *Supplemental Security Income Recipients Who Did Not Report Their Marriage to the Social Security Administration* (A-01-10-11020), April 2012.

15. *Spousal Beneficiaries Who Reported They Were Entitled to a Government Pension* (A-09-10-21071), March 2012.

16. *Supplemental Security Income Recipients Receiving Social Security-Administered Payments in Excess of Federal Limits* (A-06-10-21066), February 2012.

The list of reports above is not a complete list of our audit work in the management issue area of "Reduce Improper Payments and Increase Overpayment Recoveries." A complete list of our audit reports can be found at http://oig.ssa.gov/audits-and-investigations/audit-reports/all.

Appendix C – MAJOR CONTRIBUTORS

Victoria Vetter, Director, Financial Audit Division

Judith Kammer, Audit Manager, Financial Audit Division

Kelly Stankus, Senior Auditor

Lori Lee, Senior Auditor

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