OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

Evaluation Report

The Social Security Administration's Fiscal Year 2004 Through 2013 Accounts Receivable Balances

A-15-14-24133 | January 2015

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: January 5, 2015 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Fiscal Year 2004 Through 2013 Accounts Receivable Balances (A-15-14-24133)

The attached final report presents the results of our review. Our objective was to analyze and review trends in the Social Security Administration's accounts receivable balances for Fiscal Years 2004 through 2013

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 Fiscal Year 2004 Through 2013 Accounts Receivable Balances
A-15-14-24133

January 2015 **Office of Audit Report Summary**

Objective

To analyze and review trends in the Social Security Administration's (SSA) accounts receivable balances for Fiscal Years (FY) 2004 through 2013.

Background

SSA's accounts receivable balance with the public consists primarily of two debt groups: (1) Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) beneficiaries who received benefits in excess of their entitlement and (2) Supplemental Security Income (SSI) recipients who are no longer eligible to receive supplemental income or received payments in excess of their eligibility.

We analyzed the components of SSA's program accounts receivable balances: (1) ending receivables, (2) collections, (3) adjustments (including re-established overpayments), (4) amounts written off (including waivers and terminations), and (5) the allowance for doubtful accounts.

Lastly, we analyzed new receivable amounts compared to improper benefit overpayment amounts projected by the Office of Quality Review (OQR).

Findings

Based on our analysis of trends in SSA's accounts receivable balances for FYs 2004 through 2013, we determined (1) ending receivable balances increased for DI and Federal SSI, (2) collection amounts increased in each program, (3) adjustment amounts varied widely from year-to-year and program-to-program, and (4) the allowance for doubtful accounts amount continued to increase for the OASI and DI programs. From FYs 2011 to 2013, in general, SSA waived fewer debts; however, terminations for Federal SSI debts increased during the same period.

Although SSA increased the amount of debt it collected over our review period, we believe the Agency needs to do more to *prevent* incorrect payments to beneficiaries/recipients. The 2014 Trustees report projected that beneficiaries will deplete DI trust fund reserves in 2016 if no legislative action is taken before then. As such, SSA must be even more diligent in ensuring it is a good steward of these scarce resources. While we acknowledge SSA cannot eliminate every improper payment, we believe it needs to place an even higher priority on actions to prevent these debts before they occur.

Lastly, although we recognize the technical differences between SSA's accounts receivable and estimated annual improper payment amounts, we noted that the variances between the two were more significant than we believe one would reasonably expect. Specifically, when we compared the actual amount of new accounts receivable to the estimated amount of improper overpayments, as estimated by OQR's stewardship reviews, we identified significant differences ranging from approximately $100 million to approximately $2 billion in the years reviewed. We also noted neither actual new receivables nor OQR's estimated improper overpayment error amounts include estimated overpayment amounts as a result of SSA not performing the medical continuing disability review backlog and non-medical redetermination reviews.

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ABBREVIATIONS

AFR	Agency Financial Report
AR	Accounts Receivable
ARS	Accounts Receivable System
C.F.R.	Code of Federal Regulations
DI	Disability Insurance
Fed. Reg.	Federal Register
FY	Fiscal Year
MOURS	Modernized Overpayment and Underpayment Reporting System
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OIG	Office of the Inspector General
OQR	Office of Quality Review
PAR	Performance and Accountability Report
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration
SSI	Supplemental Security Income

OBJECTIVE

Our objective was to analyze and review trends in the Social Security Administration's (SSA) accounts receivable (AR) balances for Fiscal Years (FY) 2004 through 2013.

BACKGROUND

SSA provides retirement and survivors insurance benefits to qualified beneficiaries through the Old-Age and Survivors Insurance (OASI) program and disability benefits to disabled workers through the Disability Insurance (DI) program. SSA also provides a monthly benefit to aged, blind, or disabled people with limited income and resources through the Supplemental Security Income (SSI) program. In September 2013, approximately 46.7 and 10.9 million people received OASI and DI benefits, respectively. Approximately 8.4 million people received SSI payments, 6.3 million (75 percent) of whom were disabled.[1]

SSA's AR represents amounts due SSA from others (both intragovernmental and public). Intragovernmental AR primarily comprises amounts due from the Centers for Medicare and Medicaid Services trust funds (Federal hospital and supplementary medical insurances). The public AR represents funds due from beneficiaries/recipients for overpayments. We concentrated our evaluation on the public AR.

The public AR balance on the Consolidated Balance Sheet of SSA's *Fiscal Year 2013 Agency Financial Report*[2] consisted primarily of OASI and DI beneficiaries who received benefits in excess of what they were owed and SSI recipients who were no longer eligible to receive SSI. The amount of SSI AR represents overpaid Federal and State SSI[3] payment amounts; however, for our analysis, we did not include a separate discussion of State SSI amounts.[4]

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[1] SSA, *Monthly Statistical Snapshot*, Tables 1 & 2, September 2013.

[2] Included in the AR with public balance on the Agency's Balance Sheet in the Agency Financial Report is a small amount of other AR related to (1) Employee Debt (includes, but is not limited to salary overpayments, advanced travel pay, and debts resulting from overpayments of health benefit premiums) and (2) Non-employee debts (include, but are not limited to, vendor overpayments, reimbursable agreements, civil monetary penalties, and health benefit and leave overpayments for separated employees).

[3] In addition to the Federal SSI payment, States may provide additional benefits to their own recipients in recognition of the variations in living costs from one State to another and for some individuals' special needs, known as supplementary payments. In an agreement with the States, SSA determines eligibility and makes supplementary payments to those deemed eligible. States transfer supplementary funds to SSA each month to make these payments. SSA identifies overpayments of State funds, to the extent permitted by Federal law and regulations, recovers such overpayments, and returns these recoveries to the States.

[4] While State SSI amounts are not included in our discussion in the body of the report, we present State SSI amounts related to each component of accounts receivable, as available, in Appendix B.

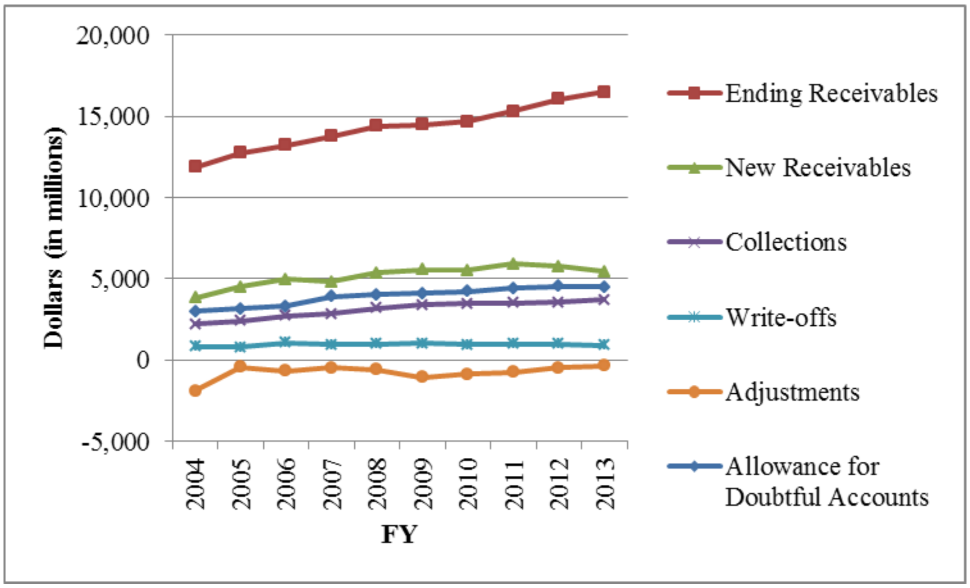
Benefit overpayments occur for two main reasons:

1. beneficiaries/recipients do not timely report information to SSA[5] or

2. SSA fails to act on information it has regarding a person's eligibility and payment amount.

For the 10-year period FYs 2004 through 2013, ending AR balances steadily increased, as shown in Figure 1.

Figure 1: Trend in AR Components



For our evaluation, we analyzed the components of SSA's program AR balances:

1. ending receivables,

2. collections,

3. adjustments (including re-established overpayments),

4. amounts written off (including waivers and terminations), and

5. allowance for doubtful accounts.

[5] Beneficiaries/recipients are required to report any information that could affect their eligibility or payment amount, such as returning to work or medical improvement as well as SSI non-medical factors, such as living arrangements, income, resources, being outside the United States for more than 30 days, etc. SSA informs beneficiaries of their reporting requirements at the initial claim process and other subsequent contacts, such as continuing disability reviews or redeterminations.

Finally, we analyzed new receivable amounts compared to improper benefit overpayment amounts projected by the Office of Quality Review (OQR).[6]

RESULTS OF REVIEW

Based on our analysis of trends in the components of SSA's AR balance for FYs 2004 through 2013, we determined (1) ending receivable balances increased for DI and Federal SSI, (2) collection amounts increased in each program, (3) adjustment amounts varied widely from year-to-year and program-to-program, and (4) the allowance for doubtful accounts amount continues to increase for the OASI and DI programs. From FYs 2011 to 2013, in general, SSA waived fewer debts; however, terminations for Federal SSI debts increased during the same period.[7]

Ending Receivables Balance

SSA calculates the ending AR balance as follows.

Table 1: Components of Ending Receivables Balance

Components of Ending Balance
Beginning FY Balance[8]
Plus: New Receivables[9]
Minus: Collections
Plus or Minus: Adjustments
Minus: Amounts Written Off
Ending Balance[10]

The following figures show the comparison of ending receivable balances to collections for OASI (Figure 2), DI (Figure 3), and Federal SSI (Figure 4). From FYs 2004 to 2013, ending receivable balances increased 88 percent and 22 percent for DI and Federal SSI, respectively.

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[6] OQR conducts stewardship accuracy reviews, special studies, and analyses of SSA's OASI, DI, and SSI programs. For a detailed discussion of OQR's stewardship reviews, refer to the New Receivables Compared to Improper Overpayment Error section.

[7] Refer to Appendix A for our scope and methodology.

[8] The Beginning FY Balance is the ending balance from the prior FY. The beginning balance for Federal SSI included two adjustments made in FYs 2010 and 2012, totaling approximately $67,000.

[9] New receivable amounts include benefit overpayments to beneficiaries/recipients who received benefits in excess of their entitlement/eligibility or are no longer eligible to receive payments. New receivable amounts may correspond to overpayments detected in the current year or overpayments made in prior years but not detected until the current year. For reporting purposes, we did not analyze the amount of new receivables.

[10] The ending receivable balance does not include the amount calculated for Allowance for Doubtful Accounts.

Figure 2: OASI Ending Balance and Collections[11]

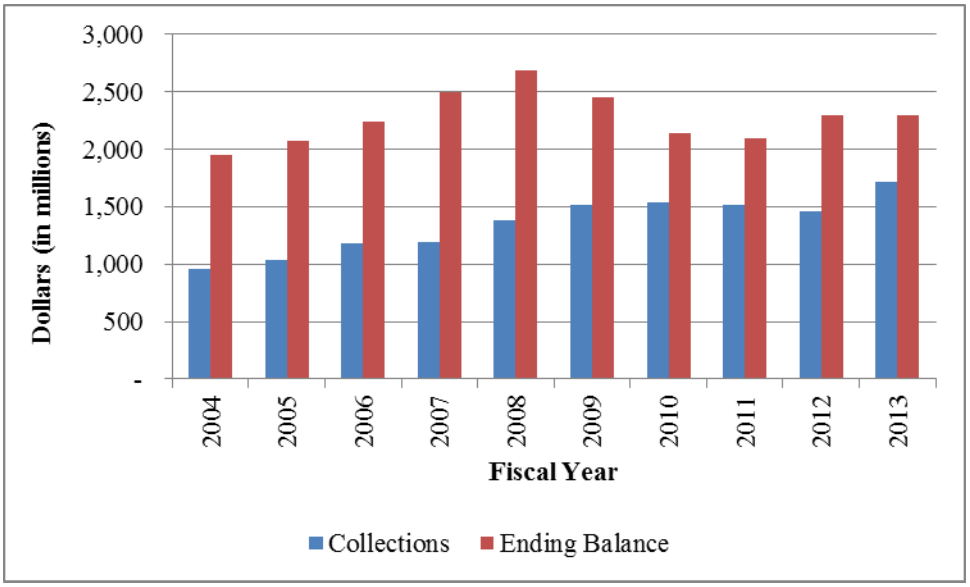
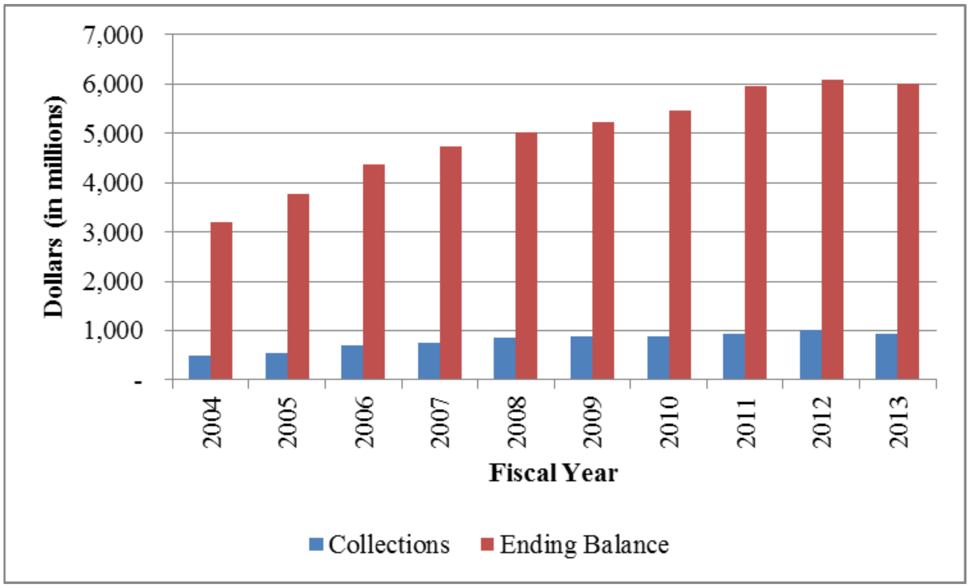


Figure 3: DI Ending Balance and Collections[12]



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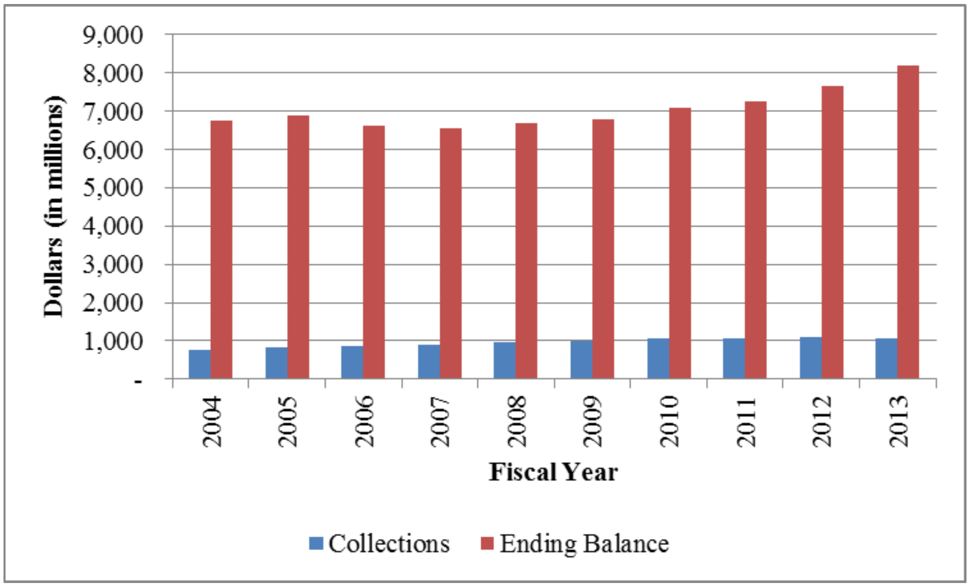
[11] For detailed information on ending balance and collections, refer to Table B–1 and Table B–2, respectively.

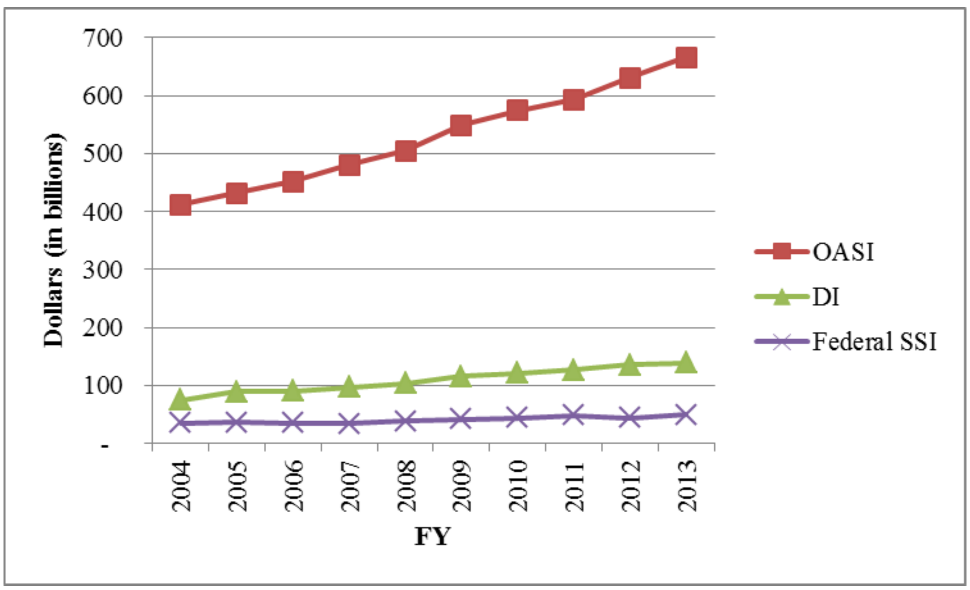
[12] Id.

Figure 4: Federal SSI Ending Balance and Collections[13]



To determine whether there was a relationship between ending receivable balances and benefit payment amounts (Figure 5), we compared these balances from FYs 2004 to 2013.

Figure 5: Benefit Payments[14]



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[13] Id.

[14] For detailed information, refer to Table B–3.

We noted that ending receivable balances for OASI remained relatively consistent, while benefit payments steadily increased approximately 62 percent. In addition, ending receivable balances for DI increased 88 percent, while benefit payment amounts increased approximately 85 percent. Finally, ending receivable balances for Federal SSI increased 22 percent, while benefit payment amounts increased approximately 41 percent.

Collections

To recover overpayments, SSA uses such internal debt collection techniques as payment withholding, billing, and follow-up. It also uses such external collection techniques as the Treasury Offset Program, Administrative Wage Garnishment, and credit bureau reporting.[15] Collection amounts may correspond to overpayments detected in the current year or overpayments from prior years but not collected until the current year.[16] Collection amounts increased in each program over the 10-year period FYs 2004 to 2013. SSA increased collection amounts 80, 91, and 41 percent, for OASI (Figure 2), DI (Figure 3), and Federal SSI (Figure 4), respectively.

We also compared the amount of collections to ending receivable balances. Collections as a percent of ending receivables balances showed that the OASI program had a 75-percent collection rate in 2013. In contrast, DI's rate was approximately 15 percent, and the Federal SSI rate was approximately 13 percent. Refer to Figure 6.

[15] Available debt collection mechanisms include those authorized by the *Debt Collection Improvement Act of 1996*, Pub. L. No. 104-134, 110 Stat 1321 (1996), for Old-Age, Survivors and Disability Insurance (OASDI) debts and the *Foster Care Independence Act of 1999*, Pub. L. No. 106-169, 113 Stat 1882 (1999), for SSI debts.

[16] Included in collection amounts for OASI and DI are amounts from the AR system. Treasury reports AR system amounts to SSA. They represent collections from beneficiaries (1) who were not entitled but were paid and (2) who had double-check negotiations. SSA tracks these collections in the AR system. Per SSA, because of a systems limitation, amounts are not available for Federal or State SSI. Since these amounts are not available, they are not included in SSI AR balances.

Figure 6: Total Collections as Percent of Ending Receivables[17]

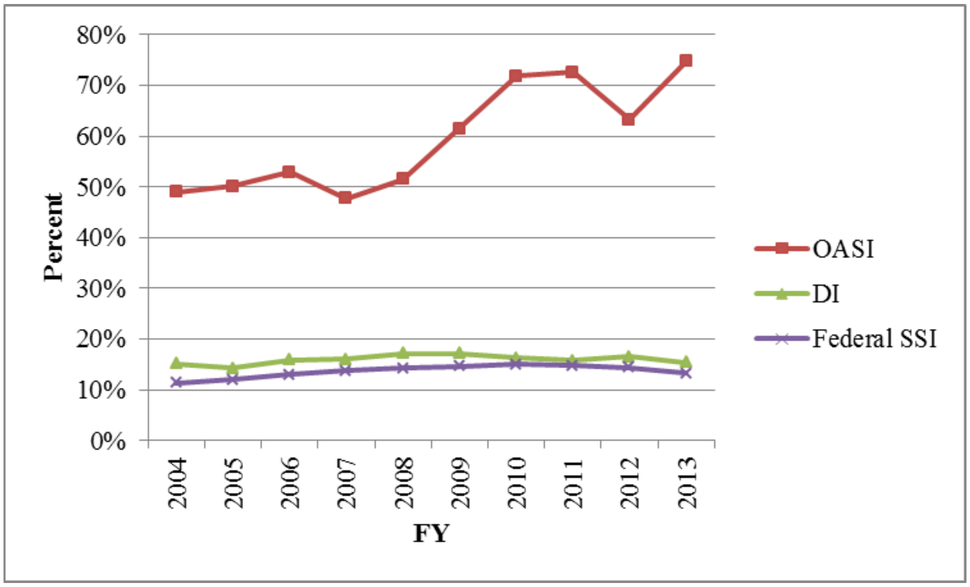


Figure 6 demonstrates the importance of preventing overpayments because collections on DI and SSI overpayments are very low.

Adjustments

SSA defines program debt adjustments as, ". . . 1) written-off debts, by way of terminations, that it reinstates for collections [also known as re-established debt], 2) changes in debts when it updates debtor accounts with new information, and 3) minor differences between reports containing debt information that it uses to maintain an ending [AR] balance." We determined that adjustment amounts include re-established debt, a "forced balancing" adjustment for the OASI and DI programs,[18] and "other" adjustments (such as actuarial, rep payee misuse, workers compensation, other SSI benefit overpayment adjustments, etc.) Refer to Appendix C for a full description of adjustment components.

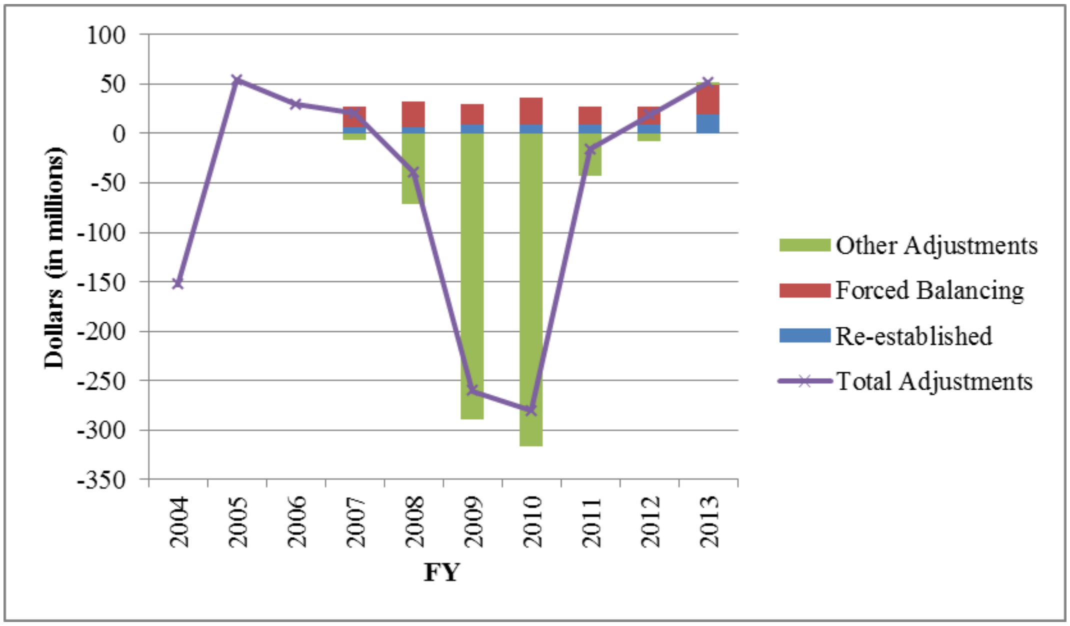
Because the amount of adjustments varies from program to program, we prepared three figures to show the variation in OASI (Figure 7), DI (Figure 8), and Federal SSI (Figure 9) from year to year. For example, in FY 2013, total adjustments for OASI were positive $51.3 million; however, in FY 2010, they were negative $280.9 million. For Federal SSI, total adjustment amounts ranged from negative $1.8 billion in FY 2004 to negative $0.5 billion in FY 2013. As

[17] For detailed information on collections, refer to Table B–2 and Table B–1 for ending receivables.

[18] The Office of Finance calculates OASI and DI so the ending receivables balance for benefit overpayments is equal to the ending balance figure in its reporting system. SSA calculates the "forced balancing" adjustment as ending balance *less* FY Beginning Balance *less* New Receivables *less* Re-established overpayments *plus* collections on receivables *plus* amounts written off. SSA noted there was no "forced balancing" amount in Adjustments for SSI.

the figures below illustrate, re-established debt was not a significant portion of adjustments, except for the DI program.

Figure 7: OASI Adjustments[19]



[19] For detailed information, refer to Table B-4. Total adjustments amounts were the only information available for FYs 2004 through 2006. SSA was not able to provide detailed information for these years because it adheres to record keeping standards of 6 years and 3 months after the close of the fiscal year involved established by the National Archives and Records Administration.

Figure 8: DI Adjustments[20]

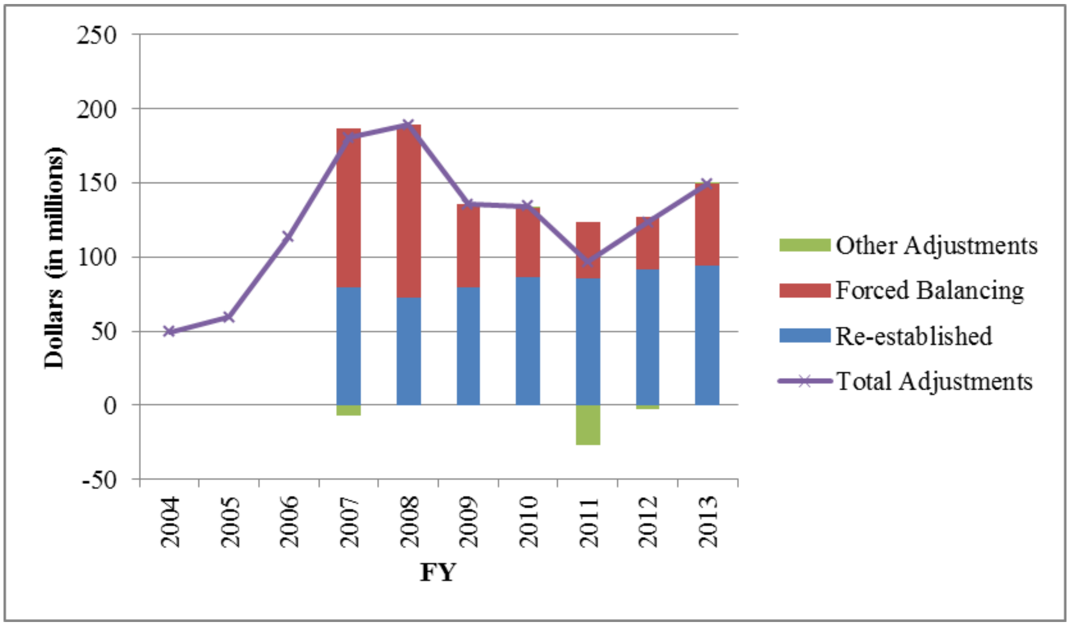
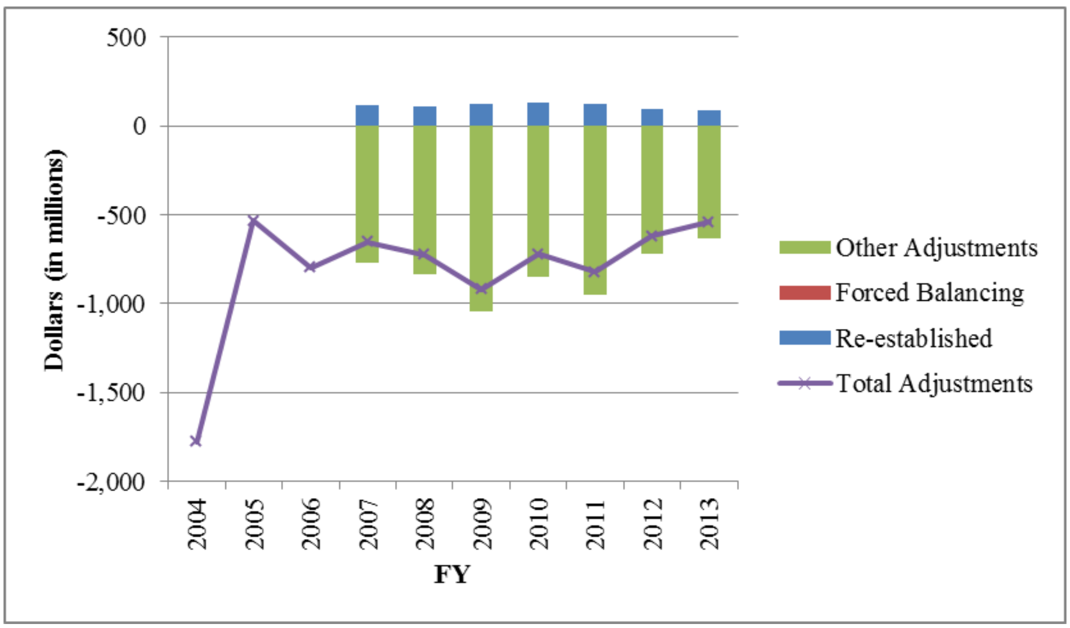


Figure 9: Federal SSI Adjustments[21]



[20] Id.

[21] Id. SSA noted there was no "forced balancing" amount included in Adjustments for SSI.

We believe SSA needs to thoroughly review the OASI and DI accounts receivable to determine and eliminate the cause of the "forced balance" adjustment.

Write-offs

Total amounts written off for FYs 2008 through 2013[22] were slightly more than $6 billion—$2.9 billion for waivers and $3.1 billion for terminations. According to SSA, waivers[23] represent the amount of overpayments forgiven because (1) the overpaid recipient is without fault in causing the debt and (2) recovery would either defeat the purpose of the *Social Security Act* or be against equity or good conscience. Waivers permanently remove debts from the AR balance, which precludes any further collection efforts. Terminations represent SSA's decision to cease debt-collection efforts because (1) the debtor will not repay or alleges they cannot repay the debt; (2) the debtor cannot be located after diligent search; or (3) the debt is delinquent at least 2 years. Even though SSA terminates internal active collection, it may still use such external collection efforts as the Treasury Offset Program and Administrative Wage Garnishment. If the debtor becomes entitled to Old-Age, Survivors and Disability Insurance (OASDI) benefits or SSI payments, SSA reinstates the debt and resumes recovery through benefit/payment withholding. SSA was not able to provide us the amount of collections attributed to reestablished debts it once terminated.

Waiver and termination amounts may correspond to overpayments detected in the current year or in prior years, but not waived or terminated until the current year.[24] We analyzed waiver and termination amounts separately for the programs. As shown in Figure 10, in general, SSA waived fewer debts from FYs 2011 to 2013.

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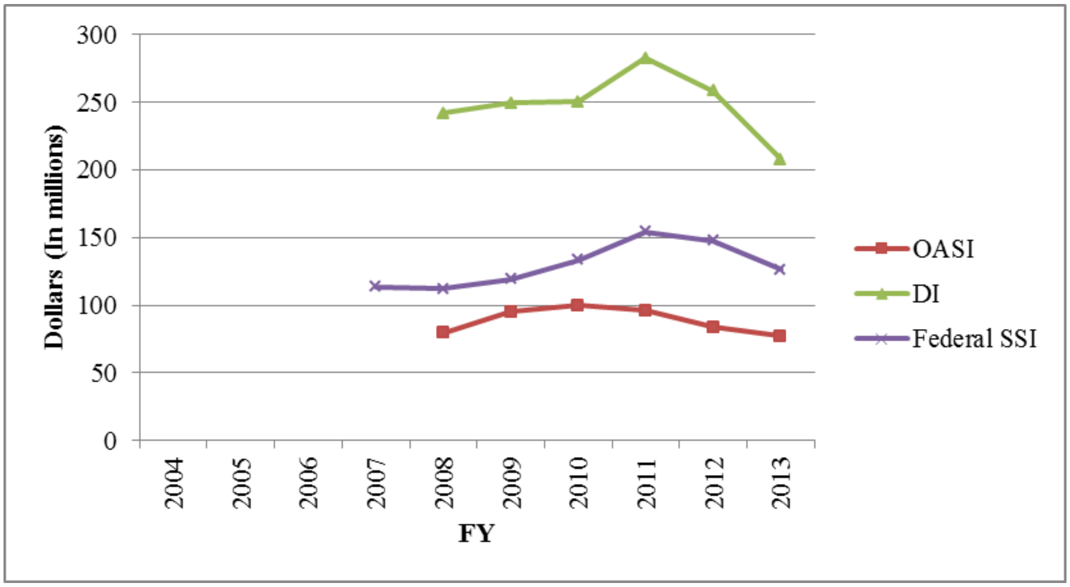
[22] Total amounts written off for the 10-year- period FYs 2004 through 2013 were $9.9 billion. SSA could not provide detailed information on how much of this amount was related to waivers and terminations for all years in this period because it adheres to record keeping standards of 6 years and 3 months after the close of the fiscal year involved established by the National Archives and Records Administration.

[23] 20 C.F.R. § § 404.512 and 416.550.

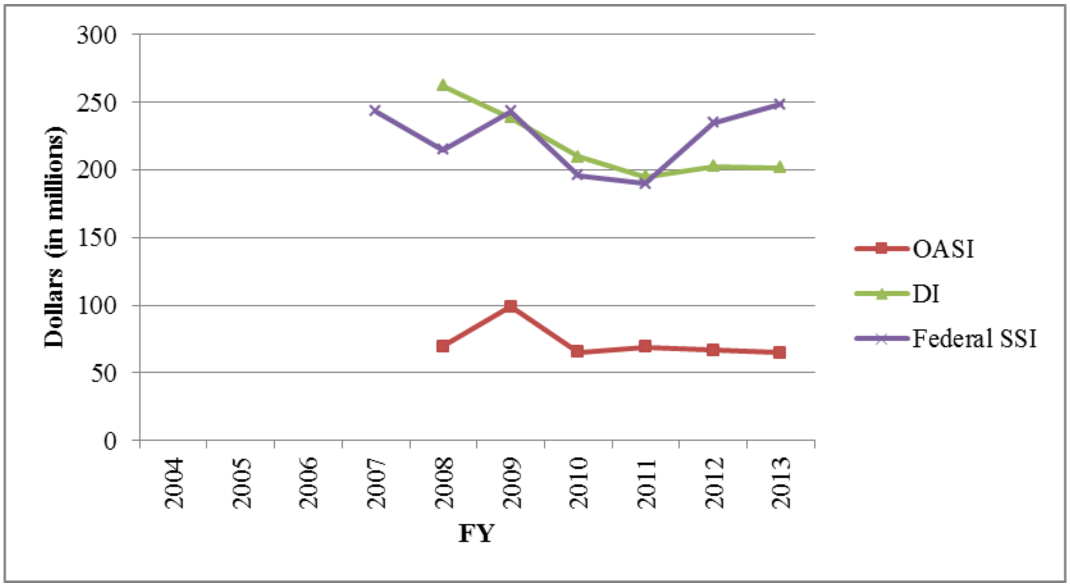
[24] Treasury reports ARS amounts to SSA. They represent write-offs from beneficiaries who (1) were not entitled but were paid and (2) had double-check negotiations. SSA tracks these write-offs in the AR system. SSA only reports amounts for the OASI and DI programs. Per SSA, because of a systems limitation, amounts are not available for Federal or State SSI. Since these amounts are not available, they are not included in SSI AR balances. The amount of AR system write-offs is not broken down into separate waiver and termination amounts; therefore, we have excluded these amounts from our discussion of waivers and terminations. For FYs 2004 through 2013, the total amount of write-offs in AR system was $30.9 million for OASI and $0.1 million for DI, amounts we deemed immaterial to our discussion.

Figure 10: Benefit Overpayment Waivers[25]



As shown in Figure 11, SSA terminated OASI and DI debts relatively consistently from FYs 2011 to 2013. However, the Agency increased its terminations of Federal SSI debts during that same period.

Figure 11: Benefit Overpayment Terminations[26]



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[25] For detailed information, refer to Table B–5.

[26] For detailed information, refer to Table B–5.

Although SSA increased the amount of debt it collected over our review period, we believe Figure 10 and Figure 11 demonstrate that the Agency needs to do more to prevent incorrect payments to beneficiaries/recipients. The amount of write-offs coupled with the low collections rate for DI and SSI overpayments (as shown in Figure 6) indicates the importance to focus resources to prevent overpayments. The 2014 Trustees report projected that beneficiaries will deplete DI Trust Fund reserves in 2016 if no legislative action is taken before then. At the time of depletion, the DI Trust Fund would be sufficient to pay 81 percent of scheduled DI benefits. As such, SSA must be even more diligent in ensuring it is a good steward of these scarce resources. While we acknowledge SSA cannot eliminate every improper payment, we believe it needs to place an even higher priority on actions to preventing these debts before they occur.

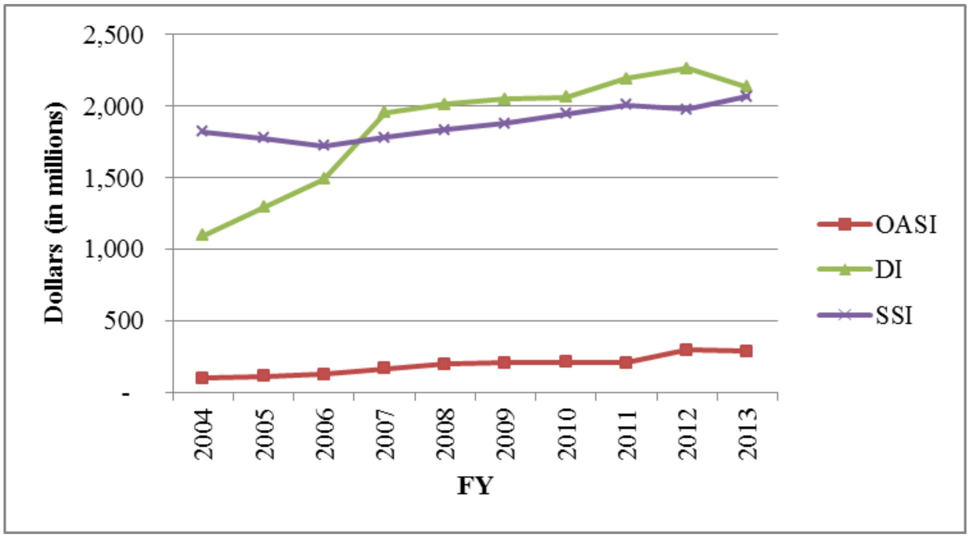
Allowance for Doubtful Accounts

A ratio of the estimated allowance for doubtful accounts for benefit overpayments is recalculated using a moving 5-year average of amounts written off (waivers plus terminations) divided by clearances (amounts written off plus collections). SSA applies the ratio to outstanding receivables to compute the amount of allowances for doubtful accounts.[27]

Figure 12 shows the trend in total allowance for doubtful accounts for FYs 2004 through 2013. From FYs 2004 to 2013, allowance amounts increased approximately 190 ($98 million in FY 2004 to $284 million in FY 2013) and 95 percent ($1,094 million in FY 2004 to $2,136 million in FY 2013), for OASI and DI, respectively.

[27] An example of the calculation of allowance for doubtful accounts is as follows. In FY 2013, the 5-year average of amounts written off for OASI was $164.9 million and for collections was $1,093 million: $164.9 million *divided* by ($1,093 million *plus* $164.9 million) equals 13.1 percent. SSA applied this rate to the ending benefit overpayment balance of $2,157.6 million and the result is $283 million in allowance for doubtful accounts for OASI. SSA includes a separate estimate in the allowance for doubtful accounts for ARS activity.

Figure 12: Allowance for Doubtful Accounts[28]



The higher allowance for doubtful account amounts for DI and SSI are consistent with low collections and high termination amounts in these programs.

New Receivables Compared to Improper Overpayment Error

Each year, OQR reports payment accuracy rates for the OASDI and SSI programs based on its stewardship reviews, which it uses to measure the accuracy of benefit payments. SSA reports over- and underpayments from its stewardship reviews of nonmedical aspects for its programs. In accordance with OMB's guidelines[29] implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA),[30] an improper payment subject to reporting under IPIA is any payment that should not have been made or was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable guidance. Stewardship review findings provide the basis for reports to monitoring authorities. The Agency also uses data from these reviews in corrective action planning and monitoring performance, as required by the *Government Performance and Results Act of 1993*.[31]

OQR based the stewardship reviews on a monthly sample of OASDI and SSI recipients in current pay status. In FY 2012, OQR reviewed 1,785 OASDI and 4,130 SSI cases to determine

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[28] For detailed information, refer to Table B–6. The SSI amount is combined for Federal and State SSI. The amounts in this Table includes the allowance for doubtful accounts for benefit overpayments as well as an estimated allowance for doubtful accounts on the ARS ending balance.

[29] OMB, M-03-13, *Implementation Guidance for the Improper Payments Information Act of 2002*, Pub. L. No. 107-300, p. 1 (May 21, 2003).

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

[31] Pub. L. No. 103-62. § 4, 107 Stat. 285, 286-289 (1993).

the payment accuracy rates. If OQR detected an error, it determined whether the payment error met the definition of improper (see Appendix D). If OQR considered a program payment unavoidable,[32] it was not included in the projection of improper payment dollars. OQR then extrapolates its sample results using a 5-year average. Per SSA,

> We do not use the results of the [stewardship] reviews to record [AR] . . . . We rely on actual transactions from our programmatic systems. Unlike the OQR review, actual transactions we capture are for overpayments we identify (detect) and report in a FY which also include those that occurred in prior FYs but we just identified them. The overpayments in our [AR] is the basis for our "debt portfolio" in which it pursues collection, due process, etc.

Below, we outline the differences between what SSA estimates as its improper payment rate, from stewardship reviews, compared to the actual amount it captures in AR (refer to Table 2). Although we recognize the technical differences between SSA's AR and estimated annual improper payment amounts, we noted that the variances between the two were more significant than we believe one would reasonably expect. Specifically, when we compared the actual amount of new accounts receivable to the estimated amount of improper overpayments, as estimated by OQR's stewardship reviews, we identified significant differences ranging from approximately $100 million to approximately $2 billion in the years reviewed. We also noted neither actual new receivables nor OQR's estimated improper overpayment error amounts include estimated overpayment amounts as a result of SSA not performing the medical continuing disability review (CDR) backlog and non-medical redetermination reviews.[33] In a prior report,[34] we stated,

> Regardless of the amount of dedicated program integrity funding the Agency receives, one of SSA's primary responsibilities is performing stewardship duties. By failing to conduct all of its stewardship duties, SSA not only misses opportunities for potential savings, it risks losing the public's confidence in the Agency's programs. We recommend SSA prioritize resources toward medical CDR and non-medical redetermination workloads to ensure only eligible individuals continue receiving benefits and are receiving the correct payment amounts.

Recently, the Chairman of the House Ways and Means Committee, Subcommittee on Social Security, introduced a bill[35] to prevent disability fraud. This bill addresses the importance of CDRs. Specifically, the bill requires that the Commissioner of SSA annually publish productivity, processing time, pending, and decision outcomes for each office, State, region, and

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[32] Unavoidable payments are payments that result from legal or policy requirements. SSA does not consider these payments erroneous (refer to Appendix D).

[33] In FY 2013, there was a backlog of about 1.3 million Medical CDRs. In FY 2013, SSA completed redeterminations on 29 percent of SSI recipients compared to the 36 percent performed in FY 2003.

[34] SSA OIG, *The Social Security Administration's Completion of Program Integrity Workloads (A-07-14-24071)*, August 2014.

[35] *Stop Disability Fraud Act of 2014*, H.R. 5260, 113th Cong. (2014).

the nation for each determination level (initial, reconsiderations, CDRs, and CDR reconsiderations) for each State disability determination services.[36]

Table 2: New Receivable Amounts Compared to Improper Payment Amounts

FY	(Amounts in Millions)	OASI	DI	SSI
2004	New Receivables[1]	687.8	927.2	1,978.6
	Improper Overpayments[2]	1,286.0[4]	1,296.0	2,406.0
	Difference[3]	**(598.2)**	**(368.8)**	**(427.4)**
2005	New Receivables	837.4	1,352.5	2,050.2
	Improper Overpayments	210.0[4]	2,100.0	2,500.0
	Difference	**627.4**	**(747.5)**	**(449.8)**
2006	New Receivables	1,041.8	1,617.0	2,014.6
	Improper Overpayments	948.0	877.0	3,193.0
	Difference	**93.8**	**740.0**	**(1,178.4)**
2007	New Receivables	1,162.7	1,325.2	2,019.8
	Improper Overpayments	345.0	864.0	3,900.0
	Difference	**817.7**	**461.2**	**(1,880.2)**
2008	New Receivables	1,354.5	1,384.1	2,351.5
	Improper Overpayments	841.0	1,200.0	4,648.0
	Difference	**513.5**	**184.1**	**(2,296.5)**
2009	New Receivables	1,348.5	1,398.9	2,587.9
	Improper Overpayments	841.0	1,706.0	4,040.0
	Difference	**507.5**	**(307.1)**	**(1,452.1)**
2010	New Receivables	1,263.1	1,390.3	2,585.2
	Improper Overpayments	1,878.0	844.0	3,344.0
	Difference	**(614.9)**	**546.3**	**(758.8)**
2011	New Receivables	1,264.1	1,784.5	2,618.2
	Improper Overpayments	653.0	1,624.0	3,791.0
	Difference	**611.1**	**160.5**	**(1,172.8)**
2012	New Receivables	1,427.1	1,428.8	2,679.1
	Improper Overpayments	469.0	1,239.0	3,387.0
	Difference	**958.1**	**189.8**	**(707.9)**
2013	New Receivables	1,448.0	1,073.0	2,708.4
	Improper Overpayments	1,100.0	744.0	4,189.0
	Difference	**$348.0**	**$329.0**	**$(1,480.6)**

Notes:

1. New Receivables amounts are for benefit overpayments only. SSI amounts for new receivables include Federal and State SSI.
2. Sources for FY 2004 through 2012 Improper Overpayments amounts are FYs 2004 through 2013 Improper Payments Information Detailed Report in the PAR/AFR. Sources for the FY 2013 Improper Overpayment amounts are the FY 2013 Title II and XVI Stewardship Reviews published in May and April 2014, respectively. SSA bases improper overpayment amounts on the projected improper payment benefit payment amount, not the amount of benefit payments on the Statement of Net Cost. SSI amounts for improper overpayments include Federal and State SSI.
3. We calculated the Difference by subtracting the Improper Overpayment amounts from New Receivables.

[36] Id. at § 203.

4. We noted that there could be large differences in the improper overpayment amount from 1 year to the next. For example, in FY 2004, the OASI amount was $1,286 million and decreased to $210 million in FY 2005. SSA has explained that these differences are not statistically significant and cannot say with certainty what the cause of the numeric difference is. Its annual sample is too small to make those distinctions. It has wide variations in individual error amounts on a year-to-year basis and is why it looks at error types over a 5-year range.

CONCLUSIONS

Over the past 12 years, there have been several laws and executive orders aimed at reducing improper payments.[37] Each year, SSA fulfils its obligations to report on improper payments and successfully meets the reporting requirements. However, our analysis of AR indicates that SSA needs to do more work to prevent making incorrect payments to beneficiaries/recipients. This report illustrates that collections for DI and Federal SSI are relatively low, while amounts for waivers, terminations, and the allowance for doubtful accounts are relatively high.

The FY 2014 Trustees report projected that beneficiaries will deplete DI Trust Fund reserves in 2016 if no legislative action is taken before then. At the time of depletion, the DI Trust Fund would be sufficient to pay 81 percent of scheduled DI benefits. SSA must be a good steward of these scarce resources. While we acknowledge SSA cannot eliminate every improper payment, we believe it needs to place an even higher priority on actions to preventing these debts before they occur.

Finally, when we compared the actual amount of new AR to the estimated amount of improper overpayments, as estimated by OQR's stewardship reviews, we identified significant differences ranging from approximately $100 million to approximately $2 billion in the years reviewed. We also noted neither actual new receivables nor OQR's estimated improper overpayment error amounts include estimated overpayment amounts as a result of SSA not performing the medical CDR backlog and non-medical redetermination reviews.

OTHER MATTER

Lack of a Comprehensive Integrated Accounts Receivable Process

SSA did not have a comprehensive, integrated AR system. To obtain monthly balances for each component of AR, SSA must pull amounts from several systems and numerous reports/line items. To summarize the information, SSA enters amounts from these reports into Visual Basic, which then produces a summary sheet used to create a monthly journal voucher to update the ending AR balance. Entering data into Visual Basic is a manual and labor-intensive process that SSA performs monthly. An automated process would provide a more efficient way to reconcile AR balances.

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[37] Pub. L. No. 107-300, 116 Stat. 2350 (2002), *Improper Payments Information Act of 2002*, Executive Order 13520, *Reducing Improper Payments*, 74 Fed. Reg. 62201 (November 25, 2009), and Pub. L. No. 111-204, 124 Stat. 2224 (2010), *Improper Payments Elimination and Recovery Act of 2010.*

In addition, the reports produced from SSA systems only show dollar amounts of the components of OASDI AR. There are no reports that would readily show either the *number* of OASDI overpayments or the *number* of OASDI beneficiaries and SSI recipients that SSA established, collected, adjusted, or wrote-off. Additionally, SSA has no reports that show the *number* of overpayments in the OASDI AR ending balance amounts.

AGENCY COMMENTS

SSA provided formal comments to our report, which we have included in Appendix E. The Agency expressed concerns that comparing new accounts receivables to the improper overpayment amounts estimated by OQR stewardship reviews was not a valid comparison. We recognize the technical differences between SSA's accounts receivable and estimated annual improper payment amounts and maintain that the variances between the two were more significant than we believe can be reasonably expected.

In addition, the Agency provided general comments, which stated that the Agency is committed to ensuring it assesses and collects overpayments properly, and it continuously emphasizes its stewardship role. In FY 2014, SSA implemented the Continuous Quality Initiative, which provides added oversight, review, and direction to SSA's front-line employees, through its network of Area Directors. In FY 2015, SSA plans to assess training needs and conduct training in the field offices and program service centers. Further, SSA stated that it will place significant emphasis on its business processes to ensure the policies are clear and it is applying them effectively.

APPENDICES

Appendix A – Scope and Methodology

To accomplish our objectives, we performed the following:

- Obtained and reviewed Fiscal Year (FY) 2004 through 2013 *Report on Receivables Due from the Public* (also known as the Treasury Report on Receivables) and supporting documentation for the amounts presented, as available.
- Reviewed applicable provisions of the *Social Security Act* and other Federal law, regulations and Social Security Administration (SSA) policies.
- Obtained and reviewed the SSA *Accounting Desk Reference Guide*.
- Met with SSA components, including the Offices of Financial Policy and Operations and Systems, to gain an understanding of the components, reports, and line items used in determining accounts receivable balances.
- Obtained and reviewed the *Supplemental Security Income for the Aged, Blind, and Disabled Agreement Between the Commissioner of Social Security and the State of [State]*.
- Obtained and reviewed the FY 2013 Title II and XVI Payment Accuracy Reports (also known as Stewardship Reviews).
- Obtained and reviewed FY 2004 through 2012 Performance and Accountability Reports and FY 2013 Agency Financial Report.

We conducted our review from April through July 2014 at SSA Headquarters in Baltimore, Maryland. We believe the evidence obtained supports our findings and conclusions based on our audit objective. However, we did identify instances of incomplete and unsupported data, as noted throughout our report. 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 – ACCOUNTS RECEIVABLE DETAILED AMOUNTS[1]

Table B–1: Total Ending Receivables Balance[2]

FY	OASI	DI	Federal SSI	State SSI	Total
2004	$1,948.1	$3,198.5	$6,738.8	$374.7	$12,260.1
2005	2,076.6	3,771.3	6,898.7	408.1	13,154.7
2006	2,237.7	4,378.0	6,619.5	412.2	13,647.4
2007	2,498.8	4,735.5	6,551.3	454.0	14,239.6
2008	2,685.2	5,018.0	6,695.7	485.5	14,884.4
2009	2,457.0	5,224.8	6,795.2	511.2	14,988.2
2010	2,144.3	5,450.1	7,077.7	525.5	15,197.6
2011	2,094.5	5,955.3	7,271.2	529.4	15,850.4
2012	2,300.6	6,089.7	7,665.8	528.2	16,584.3
2013	2,296.3	6,007.1	8,209.9	531.3	17,044.6

Table B–2: Total Collections[3]

FY	OASI	DI	Federal SSI	State SSI	Total
2004	$953.1	$483.6	$767.6	$96.3	$2,300.6
2005	1,041.0	539.2	826.8	104.2	2,511.2
2006	1,182.6	695.1	862.0	103.5	2,843.2
2007	1,193.4	760.7	897.9	103.0	2,955.0
2008	1,383.5	861.4	954.5	105.1	3,304.5
2009	1,510.1	894.1	998.6	104.0	3,506.8
2010	1,540.4	887.5	1,065.1	103.8	3,596.8
2011	1,520.9	938.1	1,072.6	98.8	3,630.4
2012	1,454.8	1,004.9	1,103.0	99.2	3,661.9
2013	1,717.3	922.3	1,082.8	93.3	3,815.7
Total	$13,497.1	$7,986.9	$9,630.9	$1,011.2	$32,126.1

[1] All dollar amounts are in millions unless otherwise noted. There may be slight variances in dollar amounts reported due to rounding of source data.

[2] These balances include amounts for benefit overpayments, amounts from the Accounts Receivable System (ARS), and other adjustments previously discussed in the Adjustments section.

[3] Id.

Table B–3: Benefit Payments (Amounts in Billions)

FY	OASI	DI	Federal SSI
2004	$412.47	$75.17	$35.22
2005	432.44	89.73	36.22
2006	451.52	90.94	35.24
2007	481.03	97.41	34.14
2008	505.22	104.1	38.35
2009	548.7	116.12	42.11
2010	574.22	121.6	43.84
2011	593.05	127.47	49.04
2012	630.84	135.45	44.18
2013	666.39	139.26	49.5

Table B–4: Total Adjustments

FY[4]	Type of Adjustment	OASI	DI	Federal SSI	State SSI	Total
2004	Total Adjustments	$(152.8)	$49.3	$(1,776.4)	$(126.2)	$(2,006.1)
2005	Total Adjustments	54.2	59.6	(533.8)	(28.2)	(448.2)
2006	Total Adjustments	29.2	114.1	(795.5)	(42.3)	(694.5)
2007	Re-established	6.0	79.9	115.5	8.0	209.4
	Forced Balancing	21.0	107.3	-	-	128.3
	Other Adjustments[5]	(6.7)	(6.8)	(768.5)	(15.2)	(797.2)
	Total Adjustments	20.3	180.4	(653.0)	(7.2)	(459.5)
2008	Re-established	7.1	72.2	111.8	7.4	198.5
	Forced Balancing	24.8	117.0	-	-	141.8
	Other Adjustments	(71.0)	-	(835.8)	(46.4)	(953.2)
	Total Adjustments	(39.1)	189.2	(724.0)	(39.0)	(612.9)
2009	Re-established	8.7	79.4	126.2	7.7	222.0
	Forced Balancing	21.0	56.0	-	-	77.0
	Other Adjustments	(290.0)	-	(1,044.2)	(58.7)	(1,392.9)
	Total Adjustments	(260.3)	135.4	(918.0)	(51.0)	(1,093.9)
2010	Re-established	9.0	86.0	130.2	7.7	232.9
	Forced Balancing	27.1	47.2	-	-	74.3
	Other Adjustments	(317.0)	1.0	(852.1)	(49.4)	(1,217.5)
	Total Adjustments	(280.9)	134.2	(721.9)	(41.7)	(910.3)
2011	Re-established	9.0	85.5	126.5	8.7	229.7
	Forced Balancing	18.6	38.2	-	-	56.8
	Other Adjustments	(43.4)	(26.9)	(947.5)	(67.2)	(1,085.0)
	Total Adjustments	(15.8)	96.8	(821.0)	(58.5)	(798.5)
2012	Re-established	9.7	91.2	98.2	5.7	204.8
	Forced Balancing	17.0	35.5	-	-	52.5
	Other Adjustments	(8.0)	(3.1)	(716.6)	(63.6)	(791.3)
	Total Adjustments	18.7	123.6	(618.4)	(57.9)	(534.0)
2013	Re-established	18.9	93.9	87.6	4.1	204.5
	Forced Balancing	30.4	55.3	-	-	85.7
	Other Adjustments	2.0	0.1	(629.1)	(53.0)	(680.0)
	Total Adjustments	51.3	149.3	(541.5)	(48.9)	(389.8)
Total[6]	Re-established	68.4	588.1	796.0	49.3	1,501.8
	Forced Balancing	159.9	456.5	-	-	616.4
	Other Adjustments	(734.1)	(35.7)	(5,793.8)	(353.5)	(6,917.1)
	Total Adjustments	$(575.2)	$1,231.9	$(8,103.5)	$(500.9)	$(7,947.7)

[4] The Social Security Administration (SSA) was unable to provide detailed information (that is, re-established, forced balancing, and other adjustments) for FYs 2004, 2005, and 2006 because it adheres to record keeping standards of 6 years and 3 months after the close of the fiscal year involved established by the National Archives and Records Administration.

[5] For information on what is included in Other Adjustments, refer to Appendix C.

[6] Total amounts for re-established, forced balancing and other adjustments are for FYs 2007 through 2013. Total amount for total adjustments is for FYs 2004 through 2013.

Table B–5: Amounts Written-off[7]

FY	OASI Waivers	OASI Terminations	OASI Total	DI Waivers	DI Terminations	DI Total	Federal SSI Waivers	Federal SSI Terminations	Federal SSI Total	State SSI Waivers	State SSI Terminations	State SSI Total	Total Waivers	Total Terminations	Total Total
2004	Detailed Information Not Available		$116.4	Detailed Information Not Available		$359.4	Detailed Information Not Available		$379.8	Detailed Information Not Available		$34.6	Detailed Information Not Available		$890.2
2005			114.7			361.2			338.2			25.7			839.8
2006			139.2			495.8			444.9			41.3			1,121.2
2007			135.4			463.4	$113.6	$243.5	357.1	$9.8	$18.2	28.0	$123.4	$261.7	983.9[8]
2008	$79.6	$69.7	149.3	$241.8	$262.2	504.0	112.1	214.9	327.0	9.4	16.4	25.8	442.9	563.2	1,006.1
2009	95.3	99.0	194.3	249.5	238.8	488.3	119.5	243.3	362.8	10.7	17.5	28.2	475.0	598.6	1,073.6
2010	100.0	65.3	165.3	250.3	209.7	460.0	133.7	195.8	329.5	12.2	14.2	26.4	496.2	485.0	981.2
2011	96.1	68.9	165.0	282.8	194.9	477.7	154.2	190.0	344.2	13.1	12.6	25.7	546.2	466.4	1,012.6
2012	84.0	66.5	150.5	258.6	202.7	461.3	147.5	234.7	382.2	12.2	12.9	25.1	502.3	516.8	1,019.1
2013	77.1	64.6	141.7	207.8	201.8	409.6	126.5	248.4	374.9	9.1	10.5	19.6	420.5	525.3	945.8
Total	$532.1	$434.0	$1,471.8	$1,490.8	$1,310.1	$4,480.7	$907.1	$1,570.6	$3,640.6	$76.5	$102.3	$280.4	$3,006.5	$3,417.0	$9,873.5

[7] Amounts do not include ARS totals as ARS does not differentiate between waivers and terminations. SSA was unable to provide detailed information for the waiver and termination amounts. For FYs 2004 through 2007 the information was not available because SSA adheres to record keeping standards of 6 years and 3 months after the close of the fiscal year involved established by the National Archives and Records Administration.

[8] For FY 2007, Waiver and Termination totals are for Federal and State SSI only. The Total column amount is for all Program Total columns.

Table B–6: Allowance for Doubtful Accounts[9]

FY	OASI	DI	SSI[10]	Total
2004	$98	$1,094	$1,823	$3,015
2005	112	1,291	1,777	3,180
2006	126	1,492	1,722	3,340
2007	166	1,955	1,781	3,902
2008	197	2,013	1,835	4,045
2009	204	2,049	1,878	4,131
2010	208	2,062	1,947	4,217
2011	206	2,194	2,009	4,409
2012	297	2,263	1,976	4,536
2013	$284	$2,136	$2,068	$4,488

[9] We took these amounts directly from the FY 2004 through 2012 Performance and Accountability Report and FY 2013 Agency Financial Report. The amounts in this table include the allowance for doubtful accounts for benefit overpayments as well as an estimated allowance for doubtful accounts on the ARS ending balance.

[10] The amounts in this column are the combined amounts for Federal and State SSI.

Appendix C – ADJUSTMENTS

We have determined that adjustments are composed of the following:

Table C–1: Components of Adjustments for Old-Age, Survivors and Disability Insurance (OASDI)

Component	Definition[1]
Re-established debt	The dollar amount reclassified or adjusted and transferred into or out of receivables balances during the fiscal year (FY).
"Forced Balancing"	The Office of Finance calculates this figure so the ending receivables balance for benefit overpayments equals the ending balance figure from the Recovery of Overpayments, Accounting and Reporting (ROAR) System. SSA calculates the "forced balancing" adjustment as follows: Ending ROAR balance less FY Beginning Balance less New Receivables less Re-established overpayments plus collections on receivables plus amounts written off.
<u>Other Adjustments:</u>	
Change in Actuarial Adjustment	The actuarial adjustment is for retroactive benefits payable to Old-Age, Survivors and Disability Insurance and Supplemental Security Income (SSI) recipients.
Change in Representative Payee Misuse Fund	A representative payee handles a beneficiary's benefits. By law, they are required to use the funds for the beneficiary for day-to-day needs of food and shelter. Using the funds for something else is considered misuse.
Change in Interest Receivable – Pre-Federal Insurance Contribution Act	Before 1987, the Social Security Administration (SSA) and States were responsible for collecting Social Security and Medicare payments from public employers and depositing them with the Federal Reserve Banks. Effective January 1, 1987, responsibility for collecting Social Security and Medicare taxes transferred from the States and SSA to Internal Revenue Service. These adjustments are for reporting and wage corrections.
Change in Workers Compensation	Calculation of adjustment for overpayments associated with Worker's Compensation.
Economic Recovery Plan (ERP) Adjustment	SSA used the OASDI Accounts Receivable System (ARS), which tracks and monitors the status of funds due from Department of the Treasury accounts receivable for related ERP transactions. Each month, SSA transfers the ERP funds out of OASDI account and move them into the appropriate ERP account. The ERP ARS files were separate from the normal OASDI ARS files. This allows SSA to track the balances for both the OASDI ARS and OASDI ERP.

[1] Component terms and definitions were provided by SSA.

Table C–2: Components of Adjustments for SSI

Component	Definition[2]
Re-established Debt	The amount reclassified or adjusted and transferred into or out of receivables balances during the FY.
<u>Other Adjustments:</u>	
Other Modernized Overpayment and Underpayment Reporting System (MOURS) Adjustments	These amounts include (1) voided overpayment recovery actions, (2) reduced overpayment amounts, (3) overpayments cleared either via a collection or a write-off, (4) adjustments between other overpayments on the record (for example, between Federal and State SSI amounts), (5) penalties, and (6) the misuse of SSI funds.
Change in Actuarial Adjustment	The actuarial adjustment is for retroactive benefits payable to OASDI-insured SSI recipients.
Change in Representative Payee Misuse Fund	A representative payee handles a beneficiary's benefits. By law, they are required to use the funds for the beneficiary for day-to-day needs of food and shelter. Using the funds for something else is considered misuse.
Change in Windfall Receivable	Amounts paid from SSI that should have been from the Trust Funds.
Misapplied Funds	Use of funds from a dedicated account for an expense not authorized by the *Social Security Act*.
Prison Bounty	Incentive to prisons to notify SSA when a beneficiary has been incarcerated because it can stop payments to them.
Change in State Underpayments	Underpayment adjustment based on monthly MOURS data.
Change in Business Process per Office of Management and Budget	SSA makes SSI State supplemental payments on behalf of the States that choose to have SSA do so. As part of this process, the States advance SSA the cash each month to make the payments in the following month. In the past, there were cases where the actual payment was higher than the State's cash advance. If this happened, SSA would record a receivable from the States. OMB changed the guidance on reimbursable receivables so Federal agencies could not record reimbursable receivables from non-Federal entities and stated that advances must be used. When this change occurred, SSA stopped recording receivables from the States for SSI State activity.

[2] <u>Id.</u>

Appendix D– DEFINING ERRONEOUS PAYMENTS

The following table[1] identifies the types of Social Security Administration (SSA) payments, programs affected, current reporting status, reasons for the payments, and their classification. There are two classifications.

- Unavoidable - Payments resulting from legal or policy requirements. These payments are not considered "erroneous" and may still be subject to recovery.
- Avoidable - Payments that should be reflected in the erroneous payment estimate because they could be reduced through changes in administrative actions.

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments following a cessation of eligibility due to a continuing disability review	DI[2] and SSI[3]	Not currently reflected as an error	When SSA is required by law to make payments during the appeals process, these payments are not erroneous.	Unavoidable
Payments made under the Goldberg-Kelly due-process Supreme Court decision	SSI	Reported as an unavoidable erroneous payment in the APP[4]	When due process requires that SSI payments continue, although the Agency has determined that a payment reduction or termination is in order, such payments are not erroneous.	Unavoidable

[1] This table was created through dialogue with SSA, the Office of the Inspector General, and the Office of Management and Budget in 2003 after the *Improper Payments Information Act of 2002*.

[2] Disability Insurance (DI).

[3] Supplemental Security Income (SSI).

[4] Annual Performance Plan (APP).

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments made incorrectly because of program design	SSI	Reported as an unavoidable erroneous payment in the APP	The law requires that SSI payments be made on the first of the month based on projected income for that particular month. Changes in the recipient's status can occur during the month, which causes the recipient's eligibility to change. Because SSA cannot prevent the overpayment, this situation should not be reflected in the Agency's erroneous payment rate.	Unavoidable
Payments issued after death	OASI,[5] DI, and SSI	Not currently reflected as an error[6]	Dollars released after death (either electronically or in the form of a paper check) that are reclaimed by the Department of the Treasury or returned unendorsed should not be reflected in the Agency's erroneous payment rate. Conversely, payments made after death that are improperly cashed or withdrawn, and are subject to overpayment recovery, should be reported.	Unavoidable except for fraud or misuse
Non-receipt of payment	OASI, DI, and SSI	Not currently reflected as an error	Duplicate payments issued in accordance with the Robinson-Reif Court decision are unavoidable and should not be reflected in the Agency's reports on erroneous payments. The only exception is duplicate payments incorrectly sent to abusers.	Unavoidable except for fraud or misuse
Payments based on medical eligibility	DI and SSI	Not currently reflected as an error	Payments are not erroneous if they are the result of a medical improvement review standard or a situation where the beneficiary would have been ineligible had the law permitted retroactive ineligibility.	Should not be included in the erroneous payment estimate

[5] Old-Age and Survivors Insurance (OASI).

[6] Per Office of Quality Review (OQR), these payments can be recorded as erroneous if not returned timely per the stewardship review protocol.

Types of Payments	Program	Current Status	Reason for Overpayment/Underpayment	Classification
Payments made for Title II beneficiaries based on earnings estimates	DI and OASI	Not currently reflected as an error	When program design requires that the Agency make payments based on estimated earnings, these payments should not be considered erroneous.	Unavoidable
Undetected error	OASI, DI, and SSI	Not currently reported as an error	The Agency should not reflect undetected errors in its erroneous payment rate unless it has evidence that a specific type of erroneous payment was made.	Should not be included in the erroneous payment estimate
Duplicate payments to attorneys, vendors, and employees	Administrative Expense	Not currently reported as an error	Agency systems do not capture when the overpayment occurs; however, this type of error does not meet the reporting threshold.	Avoidable

Appendix E – AGENCY COMMENTS

SOCIAL SECURITY

MEMORANDUM

Date: November 24, 2014 Refer To: S1J-3

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

From: Katherine Thornton
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "The Social Security Administration's Fiscal Year 2004 Through 2013 Accounts Receivable Balances" (A-15-14-24133)—INFORMATION

Thank you for the opportunity to review the draft report. We sent you our technical comments this morning.

In this review, OIG compared the actual amount of new accounts receivable (AR) to improper payment error amounts estimated by our Office of Quality Review's (OQR) stewardship reviews and identified significant differences ranging from approximately $100 million to approximately $2 billion from fiscal years (FY) 2004 through 2013. While we understand your objective was to analyze and review trends in the components of our AR balances, comparing new ARs to the improper payments estimated by our OQR stewardship reviews is not a valid comparison.

OQR bases its estimate of improper payment errors on samples of Old-Age, Survivors, and Disability Insurance beneficiaries and Supplemental Security Income recipients in current pay status for a particular fiscal year. The AR includes actual transaction data from our programmatic systems, including overpayments and administrative debts.

There are several other distinctions between the estimated payment errors in the OQR stewardship reviews and actual data in our AR balance:

- The stewardship review is not an accounting report, but rather an indicator of our estimated annual payment accuracy performance. The review results are the basis from which we pursue corrective actions to improve program integrity.

- We use the Office of Management and Budget agreed upon definition of improper payments for the OQR stewardship reviews. OQR will include as a payment error situations in which we could have avoided making an improper payment – either an overpayment or underpayment. However, our AR balance captures all overpayments regardless of whether they were improperly made.

- As indicated above, the OQR review identifies payment errors from a sample and projects payment accuracy for a particular fiscal year. However, new debt in our AR can represent overpayments that occurred in the same fiscal year or debt we identify but occurred in prior fiscal years.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

[In addition to the information listed above, SSA also provided technical comments, which have been addressed, where appropriate, in this report.]

Appendix F – MAJOR CONTRIBUTORS

Victoria Vetter, Director

Mark Meehan, Audit Manager

Lori Lee, Senior Auditor

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