Audit Report

The Social Security Administration’s Compliance with the Payment Integrity Information Act of 2019 in the Fiscal Year 2020 Agency Financial Report
MEMORANDUM

Date: May 7, 2021

To: The Commissioner

From: Inspector General


The attached final report presents the results of the Office of Audit’s review. The objectives were to determine whether the Social Security Administration met all requirements of the Payment Integrity Information Act of 2019 in the Fiscal Year 2020 Agency Financial Report and accompanying materials. In addition, we evaluated the Agency’s efforts to prevent and reduce improper payments.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit, at 410-965-9700.

Gail S. Ennis

Attachment
The Social Security Administration’s Compliance with the Payment Integrity Information Act of 2019 in the Fiscal Year 2020 Agency Financial Report
A-15-20-50949

Objectives
To determine whether the Social Security Administration (SSA) met all requirements of the Payment Integrity Information Act of 2019 (PIIA) in the Fiscal Year (FY) 2020 Agency Financial Report (AFR) and accompanying materials. In addition, we evaluated the Agency’s efforts to prevent and reduce improper payments.

Background
On March 2, 2020, the President signed PIIA to improve efforts to identify and reduce Government-wide improper payments. PIIA repealed and replaced the Improper Payments Elimination and Recovery Improvement Act of 2012, Improper Payments Elimination and Recovery Act of 2010, and Improper Payments Information Act of 2002. In June 2018, the Office of Management and Budget (OMB) issued updated Government-wide guidance on the implementation of the Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010 and the Improper Payments Elimination and Recovery Improvement Act of 2012. Both PIIA and OMB guidance require that agencies report specific improper payment information in their AFRs. Further, the law and guidance require that Inspectors General review the improper payment information agencies report in their AFRs.

Findings
In its FY 2020 AFR, SSA did not comply with all PIIA reporting requirements when it did not meet reduction targets for Supplemental Security Income overpayments. In addition, we noted instances where the Agency reported OMB-required improper payment information, but the supporting documentation did not agree with the statements made in the FY 2020 AFR. SSA should ensure all responsible parties are adhering to the quality review plan to ensure accurate and complete reporting each year.

SSA developed, published, and implemented corrective action plans for each major cause of improper payments. However, the Agency has not developed measures to determine the effectiveness of its initiatives, and we noted SSA had not significantly reduced improper payments. SSA should determine whether it is correctly targeting the root causes of improper payments and implement additional initiatives to address those root causes. SSA had implemented its Improper Payment Alignment Strategy; however, it did not have systems to capture data that measure the effectiveness of the corrective actions it implemented.

Recommendations and Agency Comments
We encourage SSA to continue its efforts to (1) measure the effectiveness of existing initiatives in reducing improper payments and (2) identify and develop new initiatives that address the root causes of improper payments. In addition, we recommend SSA improve its controls to ensure the information it presents in payment integrity reports is complete and accurate. SSA agreed with our recommendation.
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ABBREVIATIONS

AFI  Access to Financial Institutions
AFR  Agency Financial Report
FY   Fiscal Year
IPAS Improper Payment Alignment Strategy
IPERA Improper Payments Elimination and Recovery Act of 2010
IPERIA Improper Payments Elimination and Recovery Improvement Act of 2012
IPIA Improper Payments Information Act of 2002
IPPT Improper Payments Prevention Team
OASDI Old-Age, Survivors and Disability Insurance
OIG Office of the Inspector General
OMB Office of Management and Budget
OQR Office of Quality Review
PIIA Payment Integrity Information Act of 2019
SGA Substantial Gainful Activity
SSA Social Security Administration
SSI Supplemental Security Income
OBJECTIVES

Our objectives were to determine whether the Social Security Administration (SSA) met all requirements of the Payment Integrity Information Act of 2019 (PIIA) in the Fiscal Year (FY) 2020 Agency Financial Report (AFR) and accompanying materials. In addition, we evaluated the Agency’s efforts to prevent and reduce improper payments.

BACKGROUND

On March 2, 2020, the President signed PIIA to improve efforts to identify and reduce Government-wide improper payments. PIIA1 repealed and replaced the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA),2 Improper Payments Elimination and Recovery Act of 2010 (IPERA),3 and Improper Payments Information Act of 2002 (IPIA).4 Under PIIA, agencies must identify all programs and activities that may be susceptible to significant improper payments. Once these programs and activities are identified, each agency is required to report on actions it has taken, or plans to take, to recover improper payments and prevent future improper payments.5 Refer to Appendix A for agency reporting requirements.

In addition, Inspectors General are required to review each agency’s improper payment reporting. Although PIIA amended the three previous Acts, the Office of Management and Budget (OMB) had not issued updated guidance on implementing PIIA; therefore, we used OMB’s June 2018 Government-wide IPIA guidance.6 Our compliance review for FY 2020 used a combination of requirements in OMB Circulars A-123, Appendix C Requirements for Payments Integrity Improvement7 and A-136 Financial Reporting Requirements;8 OMB Annual Data Call and Supplemental Data Call Instructions,9 OMB Payment Integrity Question and

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6 OMB, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20, (2018). Appendix C implements requirements from (1) IPIA, as amended; (2) IPERA; (3) IPERIA. In March 2021, OMB released updated guidance, which will be applicable for FY 2021.
7 OMB, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20, (2018). Appendix C implements requirements from (1) IPIA, as amended; (2) IPERA; (3) IPERIA.
Answer Collection;\textsuperscript{10} and the Council of the Inspectors General on Integrity and Efficiency’s guidance required under PIIA.\textsuperscript{11} Refer to Appendix B for Inspector General reporting responsibilities and Appendix C for our scope and methodology.

To determine the accuracy of benefit entitlement/eligibility and payment amounts made during a sample period, SSA’s Office of Quality Review (OQR) conducts stewardship reviews. These stewardship reviews examine the non-medical elements in the Old-Age, Survivors and Disability Insurance (OASDI)\textsuperscript{12} and Supplemental Security Income (SSI)\textsuperscript{13} programs. Each month, OQR selects a statistically valid sample of beneficiaries who received one or more payments during the review period. For each beneficiary selected, an OQR employee interviews the beneficiary or representative payee, makes any necessary collateral contacts, and re-develops all non-medical factors of entitlement as of the sample month. OMB approved SSA using these reviews to determine the Agency’s improper payments.

SSA uses the results of its stewardship reviews, in part, to complete the payment integrity section in its AFR. In accordance with OMB guidelines, SSA reports improper payments that result from (1) its mistake in computing the payment; (2) its failure to obtain, or act on, available information affecting the payment; (3) a beneficiary’s failure to report an event; or (4) a beneficiary’s incorrect report. Some stewardship cases have more than one error that causes an incorrect payment. SSA calls each error a deficiency. Data reported in the FY 2020 AFR were for cases OQR sampled in FY 2019.\textsuperscript{14}


\textsuperscript{11} Council of the Inspectors General on Integrity and Efficiency, \textit{Guidance for Payment Integrity Information Act Compliance Reviews} (2020).

\textsuperscript{12} The OASDI program provides benefits to wage earners and their families who meet certain criteria in the event the wage earner retires, becomes disabled, or dies. See 20 C.F.R. §§ 404.310, 404.315, 404.330, and 404.335 (govinfo.gov 2020).

\textsuperscript{13} The SSI program provides payments to financially needy individuals who are aged, blind, or disabled. See 20 C.F.R. § 416.110 (govinfo.gov 2020).

\textsuperscript{14} SSA will not have FY 2020 data until late FY 2021.
RESULTS OF REVIEW

In its FY 2020 AFR, SSA did not fully comply with PIIA reporting requirements. Although the Agency met five PIIA criteria, it did not meet its reduction targets for SSI overpayments, as shown in Table 1. Because OMB requires that the Agency meet all requirements to be fully compliant with PIIA, we concluded SSA had not fully complied with PIIA. In Appendix D, we summarize the OMB requirement SSA did not meet, our observations, and SSA’s response.

Table 1: SSA PIIA Compliance Reporting

<table>
<thead>
<tr>
<th>Program</th>
<th>Type of Improper Payment</th>
<th>Published an AFR</th>
<th>Conducted Risk Assessment</th>
<th>Published Improper Payment Estimate</th>
<th>Developed and Published Corrective Action Plan</th>
<th>Published and Met Reduction Targets</th>
<th>Reported Improper Payment Rate of Less than 10 Percent</th>
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</thead>
<tbody>
<tr>
<td>OASDI</td>
<td>Overpayment</td>
<td>Compliant</td>
<td>Compliant</td>
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<td>Underpayment</td>
<td>Compliant</td>
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<tr>
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<td>Non-compliant</td>
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</tr>
</tbody>
</table>

Accuracy and Completeness of Payment Integrity Information Act Reporting

OMB guidance states an agency’s Inspector General should evaluate the accuracy and completeness of agency reporting. SSA produced a complete payment integrity section of the FY 2020 AFR that included all OMB-required information. SSA provided documentation to support the figures in its FY 2020 AFR. However, we noted six instances where the supporting documentation did not agree with statements in the FY 2020 AFR.

1. On page 187 of the AFR, SSA correctly reported that 9.5 million applicants and beneficiaries consented to allow SSA to obtain their earnings data via information exchanges with payroll providers; however, on page 197, SSA incorrectly reported the number to be 14 million.

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2. SSA reported it identified approximately $10.6 billion in OASDI overpayments and $14.3 billion in SSI overpayments in FY 2020; however, supporting documentation indicated these amounts should have been $13.9 billion and $16 billion, respectively. We noted a similar misstatement for these amounts during our FY 2019 IPERIA review.

3. SSA reported it recaptured 22.8 percent of OASDI overpayments and 9.7 percent of SSI overpayments; however, supporting documentation indicated the Agency recaptured 17.5 and 8.7 percent, respectively. We noted a similar misstatement for these amounts during our FY 2019 IPERIA review.

4. SSA reported it recovered $63.4 billion from 1992 to 2020 in FY 2020 through external collection techniques; however, supporting documentation indicated the Agency recovered $3.4 billion. SSA stated the $63.4 billion was a typographical error.

5. SSA reported it completed approximately 325,070 work continuing disability reviews in FY 2020; however, supporting documentation indicated the Agency completed 232,704.

6. SSA reported it saved more than $580 million through the Cooperative Disability Investigation program; however, supporting documentation indicated the savings was $595 million.

Each year, as the Agency develops payment integrity reports, it should review and retain all supporting documentation to ensure amounts are accurate. SSA should ensure all responsible parties are adhering to the quality review plan, implemented each year, and enhance the plan to mitigate misstatements in future payment integrity reports.

Performance in Reducing and Recapturing Improper Payments

OMB requires that agencies develop corrective action plans to reduce improper payments. In its PIIA reporting, SSA identified the major causes of OASDI and SSI improper payments. For each major cause, the Agency developed, published, and implemented a corrective action plan.


However, the Agency has not developed measures to determine the effectiveness of its initiatives, and we noted SSA has not significantly reduced improper payments.

In our FY 2018 review, we recommended SSA develop and/or enhance systems to capture data that measure the effectiveness of the Agency’s corrective actions.\textsuperscript{28} As of January 2021, SSA considers this recommendation open. In December 2020, SSA provided the following update to this recommendation.

> Since we are processing millions of daily transactions and issuing more than a trillion dollars in annual benefits, it is quite difficult to effectively isolate the impact of a single corrective action. As we continue to identify and measure the root causes of improper payment, and align our corrective actions with those causes, we will look for opportunities to assess effectiveness, where feasible.

In addition to our 2018 report, we and the Government Accountability Office have issued three reports on improper payments. The results of those reviews follow.

- In April 2011, we reported over half of SSA’s performance indicators did not measure the Agency’s progress in achieving its strategic goals and objectives.\textsuperscript{29}
- In September 2015,\textsuperscript{30} we recommended SSA assess the results of future demonstration projects and determine whether the projects merit continued expenditures.
- In April 2020, the Government Accountability Office recommended SSA implement a process, documented in policies and procedures, to measure the effectiveness of its corrective actions for OASDI and SSI improper payments. This process should clearly demonstrate the effect SSA’s corrective actions have on reducing improper payments.\textsuperscript{31}

In June 2020, SSA assessed corrective actions for non-home real property data with the SSI Claims System and estimated a positive return on investment. However, SSA did not have tools to determine a return on investment for the remaining corrective actions it implemented. SSA should continue developing measures that will allow it to assess the success of improper payment initiatives so it can focus on corrective actions that will meet the OMB-approved reduction targets.


In our FY 2018 review, we also recommended SSA implement and expand existing corrective actions, where applicable, to address improper payments. In December 2020, SSA provided the following update to this recommendation.

Implementation and expansion of corrective actions have been underway as discussed in [FY] 2020 AFR Payment Integrity section. For FY 2020 and 2021, there are 12 main initiatives to reduce improper payments. In FY 2020, the Improper Payments Prevention Team (IPPT) completed drafting the Improper Payment Alignment Strategies (IPAS) on the top causes of improper payments in [OASDI], and [SSI] programs. Currently in FY 2021, there are nine IPASs that strategically align with the 12 ongoing initiatives. The IPASs are all at different stages of the review and approval process by the stakeholders. In FY 2021, the nine IPASs are expected to be finalized.

Based on our analysis of improper payments caused by financial accounts, wages, substantial gainful activity (SGA), and computations, SSA’s corrective actions were not effective, or their effect was unknown. Effective September 2020, SSA considers this recommendation closed; however, we encourage SSA to continue implementing and expanding existing corrective actions, where applicable, to address improper payments.

Finally, in our FY 2018 review, we recommended SSA develop new initiatives to address improper payments. In December 2020, SSA provided the following update to this recommendation.

We continue to explore and develop new initiatives based on, but not limited to, findings of audits and stewardship reports. In FY 2021, the IPPT convened a workgroup of subject matter experts to complete sprint-like, discovery sessions to identify new, non-[information technology] related initiatives. The IPPT is in the process of evaluating and prioritizing promising ideas as well as consolidating existing and new [information technology] investment projects for future funding discussions.


33 SGA is the performance of significant physical and/or mental activities in work for pay or profit or in work of a type generally performed for pay or profit, regardless of the legality of the work. SSA, POMS, DI 10501.001 (January 5, 2007).

In prior reports, we recommended SSA conduct data matches to reduce improper payments associated with pensions, workers’ compensation, unreported real property, and unreported absences from the United States. In FY 2018, SSA implemented a match with a vendor to obtain data about unreported real property. In May 2019, SSA began working on a computer matching agreement with the Department of Homeland Security to obtain travel data in the Foreign Travel Data application. The Foreign Travel Data application, within the SSI Claims System, allows field office staff to query the Department of Homeland Security’s Arrival and Departure Information System when they complete eligibility reviews for SSI recipients. In FY 2020, SSA collected and analyzed data from this program and plans to study the feasibility of expanding its use to include U.S. citizen recipients. Effective September 2020, SSA considers this recommendation closed; however, we encourage SSA to develop new initiatives to address the root causes of improper payments.

Supplemental Security Income Overpayments Caused by Financial Accounts

As reported in prior years, a leading cause of overpayments in the SSI program is undisclosed financial accounts. To address this, SSA implemented the Access to Financial Institutions (AFI) program in June 2011. AFI verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the claimant’s address. SSA uses AFI when it processes initial SSI applications and periodic eligibility redeterminations. While SSA had enhanced AFI since its initial implementation, it was the only corrective action focused on reducing improper payments related to financial accounts. As shown in Figure 1, overpayments related to financial accounts increased from approximately $900 million in FY 2010 to approximately $1.2 billion in FY 2019.

41 A redetermination is a review of a recipient’s non-medical eligibility factors (that is, income, resources, and living arrangements) to determine whether the recipient is still eligible for, and receiving, the correct SSI payment. SSA, POMS, SI 02305.001, A (September 5, 2019).
The AFI program was in place for FYs 2012 through 2019; however, deficiency dollars averaged approximately $1 billion and continued to increase. Over this 8-year period, a successful improper payment initiative should have reduced these financial account deficiencies.

SSA last updated the AFI program in January 2016 when it added a search feature to identify financial institutions by routing number. During our 2019 review, SSA indicated it was exploring a possible reduction in the AFI tolerance using data collected in real time. SSA provided the following update.

In December 2019, the methodology for an AFI expansion study was approved to determine dollar-amount savings and return on investment of lowering the tolerance from $400 to $0. The expansion study was expected to begin in mid-April 2020; however due to COVID-19, the start date for the study remains on hold and is dependent upon the resumption of normal agency activities.

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42 OQR provided the deficiency dollar amounts displayed in Figure 1.

43 The routing number identifies the specific financial institution responsible for the payment.
The Agency could have realized additional savings had it used AFI more often. In December 2014, we reported SSA would not realize AFI’s full potential for identifying and preventing improper payments until it uses AFI for all cases. We recommended SSA determine whether systems enhancements were feasible for the program. In addition, in a 2018 review, we determined SSA had not completed eligibility redeterminations for approximately 1.1 million SSI recipients in longer than 10 years. We estimated SSA overpaid 77,060 SSI recipients approximately $381.5 million. Per SSA, SSI redeterminations save significant program dollars by avoiding improper payments. We recommended SSA enhance the process it used to select SSI recipients for redeterminations.

SSA uses AFI at the initial SSI application and during periodic redeterminations. SSA is exploring the expanded use of AFI between initial claims and redeterminations. In FY 2019, improper payments related to financial accounts totaled approximately $1.2 billion. We estimated SSA could have identified approximately $1 billion in overpayments due to undisclosed financial accounts had it performed AFI searches between the initial applications and redeterminations. As in prior years, we maintain SSA needs to implement or expand existing corrective actions to address improper payments. SSA should determine whether it is correctly targeting the root cause of these improper overpayments and implement initiatives to target those causes.

**Overpayments Caused by Wages and Substantial Gainful Activity**

According to SSA, for longer than a decade, wage discrepancies have been a leading cause of SSI improper payments. Wage discrepancies occur when a recipient’s actual wages differ from the wage amounts SSA uses to calculate the SSI payment. SSA has developed three wage reporting systems to mitigate wage discrepancies.

- In FY 2008, the Agency implemented the SSI Telephone Wage Reporting System to allow recipients, representative payees, and deemors to report prior monthly gross wages via an automated telephone system.
- In August 2013, SSA implemented SSI Mobile Wage Reporting to allow individuals to report wages through a smartphone application.
- In June 2018, SSA implemented online wage reporting for SSI recipients.

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47 A deemor is generally the ineligible parent or spouse of the individual who is eligible for (or receiving) SSI. SSA, *Definition: Deemor*, ssa.gov (last visited February 25, 2021).
Although the number of wage reports SSI recipients used these systems to submit increased over the years, overpayments related to wages increased from $630 million in FY 2015 to over $1.1 billion in FY 2019, as shown in Figure 2.

**Figure 2: SSI Wages Overpayment Deficiency Dollars**
(FYs 2010 Through 2019)

SSA provided the following reason for the increase in overpayments caused by wages.

A strong national economy has increased the number of available jobs and has historically contributed to increased instances of wage-related improper payments. When the economy improves, more recipients work, which results in unreported or incorrect wage reports. In addition, the Federal Benefit Rate has increased annually from $733 in 2015 to $771 in 2019, thereby increasing the amount of improper payments. Internal system enhancements have enabled us to detect and take corrective action on previously undetected improper payments.

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48 OQR provided deficiency dollar amounts displayed in Figure 2.
In addition, overpayments attributed to SGA are a major cause of improper OASDI payments. As shown in Figure 3, SGA overpayments fluctuated greatly from FYs 2010 through 2019.

![Figure 3: OASDI SGA Overpayment Deficiency Dollars (FYs 2010 Through 2019)](image)

In FY 2019, SSA awarded a contract to a vendor to build an information exchange to obtain monthly earnings data from third-party payroll data providers. During FY 2021, SSA will begin requesting wage and employment information from the exchange. SSA is several years from determining whether the commercial payroll exchange effectively reduces improper payments that SGA and wage reporting deficiencies cause. Because SSA has not significantly reduced overpayments due to wages and SGA, the Agency should continue establishing the commercial payroll exchange as well as other corrective actions to reduce these errors. We maintain SSA should develop measures to determine whether its initiatives are effectively reducing improper payments.

**Old-Age, Survivors and Disability Insurance Overpayments Caused by Computations**

In its FY 2020 AFR, SSA reported that computations were one of the leading causes of OASDI overpayments. Inaccurate information or administrative mistakes can cause errors in benefit calculation. Overpayments related to computations fluctuated greatly over 6 years. As shown

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49 OQR provided deficiency dollar amounts displayed in Figure 3.
in Figure 4, overpayments related to computations were $1.2 billion in FY 2014 and had decreased to $271 million in FY 2019.

**Figure 4: OASDI Computations Overpayment Deficiency Dollars**

(FYs 2010 Through 2019)

In FYs 2015 through 2019, $1.4 billion (36 percent) in computation errors was related to the Windfall Elimination Provision. To explain the increase in overpayments caused by computations, the Agency stated, “The increase in the 5-year rolling average of computation deficiency dollars from FY 2018 to FY 2019 is primarily due to the increases in deficiency dollars relating to the Windfall Elimination Provision and family maximum.” SSA should continue identifying initiatives that reduce OASDI improper payments caused by computation errors and determine whether its existing initiatives are effective in reducing improper payments.

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51 OQR provided deficiency dollar amounts displayed in Figure 4.


53 The Windfall Elimination Provision can affect how SSA calculates retirement or disability benefits. “If [a beneficiary worked] for an employer who [did not] withhold Social Security taxes from [his/her] salary, such as a government agency or an employer in another country, any retirement or disability pension [a beneficiary gets] from that work can reduce [his/her] Social Security benefits.” SSA, *Windfall Elimination Provision*, Publication No. 05-10045 (2021).
Supplemental Security Income Overpayments Caused by Non-home Real Property

SSA did not report undisclosed non-home real property as a major cause of SSI overpayments in its FY 2020 AFR. SSA relies on applicants or recipients to report whether (1) they own real property other than their principal place of residence and (2) the current equity value exceeds the SSI resource limit. By August 2018, SSA had fully integrated third-party, non-home real property data with the SSI Claims System for mandatory use during initial claims, initial claim appeal reversals, denied claim re-openings, and high-error redetermination interviews as well as optional use during other open claim events.

SSA assessed the effectiveness of the SSI Claims System initiative in June 2020. SSA stated, “The Office of the Chief Actuary estimated the present value of the reduction in federal SSI payments attributable to [non-home real property] searches completed in FY 2018 over the entire period of effect is $155 million. In addition, the return on investment of completed non-home real property matches in FY 2018 is estimated to be $19 on average per $1 spent.” SSA should develop similar measures to determine whether its remaining initiatives are effective in reducing improper payments. See Figure 5 for overpayment deficiency dollars caused by non-home real property.

**Figure 5: SSI Non-home Real Property Overpayment Deficiency Dollars**

(FYs 2010 Through 2019)

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55 OQR provided deficiency dollar amounts displayed in Figure 5.
Risk and Oversight Assessed by the Office of the Inspector General

To evaluate the Agency’s assessment of the level of risk and quality of improper payment estimates and methodology, we relied on the audit work Grant Thornton, LLP conducted as part of its audit of SSA’s FY 2020 financial statements. Grant Thornton analyzed the statistical sampling methods and extrapolation procedures SSA employed to generate payment accuracy estimates, as reported in the Agency’s annual stewardship reviews. Grant Thornton concluded the methods SSA used were statistically reasonable.

We are overseeing the SSI and OASDI programs through various audits. In FY 2020, we issued 46 reports that identified over $2.4 billion in questioned costs and over $588 million in Federal funds that could be put to better use. In November 2020, we reported SSA faced major challenges in minimizing payment errors, improving the management of payment workloads, and improving the prevention, detection, and recovery of improper payments. Several of our reports focused on these challenges. See Appendix E for our FY 2020 reports related to reducing improper payments and increasing overpayment recoveries.

RECOMMENDATIONS

We encourage SSA to continue its efforts to (1) measure the effectiveness of existing initiatives in reducing improper payments and (2) identify and develop new initiatives that address the root causes of improper payments. In addition, we recommend SSA improve its controls to ensure the information it presents in payment integrity reports is complete and accurate.

AGENCY COMMENTS

SSA agreed with our recommendation and provided technical comments, which we incorporated as appropriate; see Appendix F.

Michelle L. Anderson
Assistant Inspector General for Audit


SSA’s Compliance with PIIA in the FY 2020 AFR (A-15-20-50949)
Office of Management and Budget (OMB) guidance defines significant improper payments as exceeding $10 million of all program or activity payments made during the fiscal year (FY) reported and 1.5 percent of program outlays or $100 million.\(^1\) For each program and activity identified as at risk for significant improper payments, the Agency is required to use an OMB-approved estimate methodology to produce a statistically valid estimate of the improper payments and include those estimates in the materials that accompany the Agency’s annual financial statements.\(^2\)

**Office of Management and Budget Circular A-136**

OMB Circular A-136 outlines the information agencies are required to address in their annual Agency Financial Report or Performance and Accountability Reports, which includes actions taken to address audit recovery recommendations and a fraud reduction report.\(^3\)

**Data Calls**

Beginning in FY 2020, information previously required by OMB Circular A-136\(^4\) is reported on the payment accuracy Website\(^5\) through the OMB payment integrity annual data call and supplemental data calls. The data call instructions require that agencies report

- improper payment reduction outlook;
- improper payment root cause categories;
- root cause categories for monetary loss over $100 million and/or programs that report more than $2 billion of improper payments;
- payment recapture reporting;
- confirmed fraud and risk assessments.\(^6\)

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The supplemental data call questions require that agencies report the following.

- Steps planned or taken to ensure agency officials are held accountable for reducing and recapturing improper payments through annual performance appraisal criteria.
- Steps taken to detect and recover improper payments.
- Steps taken to recover improper payments identified in recovery audits.
- A list of any programs excluded from review under its payment recapture audit program.
- Progress on implementing controls established in OMB Circular A-123; implementing controls established in Government Accountability Office Green Book; identifying risk of and vulnerabilities to fraud; and establishing strategies, procedures, and other steps to curb fraud.
- A list of any program not included as a susceptible program and that was assessed to determine susceptibility of improper payments.
- Whether lowering an improper payment rate beyond the current level would be cost-prohibitive because applying mitigation strategies or corrective actions for improper payment prevention would cost more to implement than the amount that would be saved.
- Whether the susceptible program has reached a tolerable rate of improper payments.
- Whether the susceptible program has the internal controls, human capital, information systems, and other infrastructure it needs to reduce improper payments to the levels the agency has targeted.
- Corrective actions the program has taken, and will take, to prevent improper payments for each identified root cause.
- Criteria that were determined to be non-compliant in the most recent Inspector General compliance review.
- How many consecutive years the program was deemed non-compliant as of the most recent Inspector General compliance review.
- If deemed non-compliant in the most recent FY Inspector General compliance review, the Agency’s plan to bring the program into compliance and measurable milestones, the agency official responsible, and an accountability mechanism, incentives, and consequences.
- Whether the program uses the Do Not Pay Initiative and has reduced/prevented improper payments.\(^7\)

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On March 2, 2020, the President signed the Payment Integrity Information Act of 2019 (PIIA) to improve efforts to identify and reduce Government-wide improper payments. PIIA\(^1\) repealed and replaced the Improper Payments Elimination and Recovery Improvement Act of 2012 (IPERIA),\(^2\) Improper Payments Elimination and Recovery Act of 2010,\(^3\) and Improper Payments Information Act of 2002 (IPIA).\(^4\) Although PIIA amended the three previous Acts, the Office of Management and Budget (OMB) has not issued updated guidance on implementing PIIA; therefore, we will use the Government-wide guidance on implementing IPIA,\(^5\) issued in June 2018, and responses posted to the OMB Payment Integrity Question and Answer Collection.\(^6\)

OMB guidance specifies that each agency’s Inspector General review improper payment reporting in its annual Agency Financial Report or Performance and Accountability Report and accompanying information to determine whether it complied with IPIA.\(^7\)

According to OMB, compliance with PIIA means an agency has

- published improper payments information with the annual financial statement of the agency for the most recent fiscal year;
- posted the annual financial statement and accompanying materials required under guidance of OMB on the agency Website;
- conducted improper payment risk assessments for each program with annual outlays greater than $10 million at least once in the last 3 years;
- adequately concluded whether the program is likely to make improper payments above or below the statutory threshold;
- published improper payments estimates for programs susceptible to significant improper payments in the accompanying materials to the annual financial statement;

\(^5\) OMB, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20, (2018). Appendix C implements requirements from (1) IPIA, as amended; (2) IPERA; (3) IPERIA.
• published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;

• published improper payment reduction targets for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;

• is meeting the improper payment reduction targets (published in Fiscal Year 2019) for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;

• developed a plan to meet the improper payment reduction targets; and

• reported an improper payment estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.8

Per OMB, if an agency does not meet one or more of these requirements, it is not compliant with PIIA.9 The Inspector General should also evaluate the corrective action plans and determine whether the corrective actions focused on the true root cause and reduced the improper payments.10 OMB guidance also states the agency’s Inspector General should evaluate the accuracy and completeness of agency reporting and performance in reducing and recapturing improper payments.11

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8 OMB, Payment Integrity Q&A Collection, https://community.max.gov (last visited March 8, 2021).
Appendix C – Scope and Methodology

To accomplish our objectives, we:

- Reviewed the payment integrity section in the Social Security Administration’s (SSA) Fiscal Year 2020 Agency Financial Report and accompanying information, including the Data Call and Supplemental Data Call, to ensure compliance with all requirements of the Payment Integrity Information Act of 2019 (PIIA).

- Reviewed Office of Management and Budget (OMB) Circulars A-123, Appendix C, Requirements for Payment Integrity Improvement,\(^1\) and A-136, Financial Reporting Requirements;\(^2\) OMB Annual Data Call Instructions and Supplemental Data Call;\(^3\) OMB Payment Integrity Question and Answer Collection;\(^4\) and the Council of the Inspectors General on Integrity and Efficiency’s guidance\(^5\) to ensure compliance with all requirements of PIIA.


- Requested and analyzed source data from SSA’s Office of Budget, Finance, and Management to support the figures in the Agency Financial Report for accuracy and completeness.

- Reviewed meeting minutes for the Improper Payments Prevention Team, Improper Payments Oversight Board, and Associate Commissioner Improper Payments Roundtable.

- Reviewed the Improper Payments Prevention Team’s monthly initiatives at a glance and Improper Payment Alignment Strategies in process and/or finalized.

In Fiscal Year 2019, SSA was relieved of reporting on payments made under The Disaster Relief Appropriations Act of 2013.

We conducted our audit from November 2020 through March 2021 in Baltimore, Maryland. The primary SSA entity audited was the Office of Budget, Finance, and Management. We conducted this performance audit in accordance with generally accepted government auditing standards.

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1 OMB, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20, (2018). Appendix C implements requirements from (1) Improper Payments Information Act, as amended; (2) Improper Payments Elimination and Recovery Act; (3) Improper Payments Elimination and Recovery Improvement Act.


5 Council of the Inspectors General on Integrity and Efficiency, Guidance for Payment Integrity Information Act Compliance Reviews (2020).
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.

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

We assessed the significance of internal controls necessary to satisfy the audit objectives. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls as associated with the audit objectives. We identified the following five components and nine principles as significant to the audit objectives.

- Component 1: Control Environment
  - Principle 2: Exercise oversight responsibly
  - Principle 3: Establish structure, responsibility, and authority

- Component 2: Risk Assessment
  - Principle 7: Identify, analyze, and respond to risk

- Component 3: Control Activities
  - Principle 10: Design control activities

- Component 4: Information and Communication
  - Principle 13: Use quality information
  - Principle 14: Communicate internally
  - Principle 15: Communicate externally

- Component 5: Monitoring
  - Principle 10: Perform monitoring activities
  - Principle 17: Remediate deficiencies
### Appendix D – Office of Management and Budget Guidance

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<td>An agency has published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments.¹</td>
<td>In the Agency’s Fiscal Year 2019 Agency Financial Report, the target rate for Supplemental Security Income overpayments was 6 percent. In the Fiscal Year 2020 Agency Financial Report, the estimated SSI overpayment rate was 8.13 percent, which did not meet guidance requirements.</td>
<td>We strive to reduce improper payments within the constraints of statutory and regulatory requirements and available resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. While we strive to improve our effort to reduce improper payments, outcomes must be significant to affect our error rate. To have an effect on improper payments, for Fiscal Year 2019, each tenth of a percentage point in payment accuracy represents about $56.5 million in program outlays for the Supplemental Security Income program.</td>
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¹ OMB, Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-18-20, Part IV, section (A)(3) p. 49 (2018).
Appendix E – Fiscal Year 2020 Office of the Inspector General Reports

The following Office of the Inspector General reports are related to preventing, detecting, and recovering improper payments; minimizing payment errors; and/or improving payment workload management.

- **Miscellaneous Benefit Suspensions for Old-Age, Survivors and Disability Insurance Beneficiaries**, A-07-19-50799 (September 2020)

- **The Social Security Administration’s Rejection of State Electronic Death Registration Reports**, A-08-18-50499 (September 2020)

- **Accuracy of Supplemental Security Income Recipients’ Reports of Separation**, A-02-14-31417 (July 2020)

- **Social Security Administration’s Actions to Resolve Potentially Fraudulent Internet Claims**, A-09-18-50603 (June 2020)

- **Retirement Beneficiaries Potentially Eligible for Widow(er)’s Benefits**, A-13-13-23109 (June 2020)


- **Beneficiaries with Representative Payees and Earnings**, A-02-17-50143 (March 2020)

- **Follow-up on Supplemental Security Income Recipients Eligible for Veterans Benefits**, A-01-17-50236 (February 2020)

- **Follow-up: Beneficiaries Who Had Not Cashed Their Checks Within 1 Year**, A-09-18-50562 (December 2019)

- **Accuracy of Manual Actions for Old-Age, Survivors and Disability Insurance Underpayments over $6,000**, A-03-18-50703 (December 2019)

- **Follow-up on Prisoner Incentive Payments**, A-01-19-50851 (December 2019)

- **Appropriateness of Actions Taken on Pending Workers’ Compensation Cases**, A-05-18-50627 (October 2019)
MEMORANDUM

Date: April 28, 2021

To: Gail S. Ennis
   Inspector General

From: Scott Frey
   Chief of Staff


Thank you for the opportunity to review the draft report. We agree with the recommendation.

In FY 2021, we plan to publish nine Improper Payment Alignment Strategy (IPAS) documents. We will begin documenting how best to monitor, evaluate, and assess the effectiveness of the corrective actions outlined in the IPASs. We note that outcomes of our corrective actions must be substantial to affect our error rate. For example, to reduce improper payments by just one tenth of one percent, we must prevent $56.5 million in improper Supplemental Security Income (SSI) program outlays.

Please let me know if I can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.


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