

# Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients

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Office of Audit Report Summary

### Objective

To determine whether the Social Security Administration (SSA) was properly processing the Internal Revenue Service's 1099 alerts and appropriately adjusting benefit amounts for Supplemental Security Income (SSI) recipients.

### Background

The SSI program provides cash assistance to people who are aged, blind, or disabled and whose income and resources are limited. Since SSI eligibility is based on need, SSA must be aware of any changes in recipients' income or resources.

The *Spending Reduction Act of 1984* provides for SSA to receive financial information from the Internal Revenue Service (IRS) to help detect unreported nonwage information, such as security trades, winnings, property sales, and pensions. When IRS records indicate a recipient may have unreported income or resources, SSA systems generate an alert, and annotate the recipient's benefit record. SSA field office staff develops these alerts by verifying the information with the recipient or the financial institution and adjusts or terminates the benefits, if warranted.

### Our Findings

SSA's processing of IRS alerts needs improvement. SSA staff did not develop some cases for SSI recipients with significant income and resources, which made them ineligible for benefits. We determined that 20 of the 50 sample recipients were overpaid \$237,125 because SSA's systems did not post an alert to the Supplemental Security Record for the IRS code assigned. As a result, field office staff was not always aware the recipients had significant income and resources. Projecting these results to our population, we estimate SSA may have overpaid 1,014 SSI recipients about \$12 million in benefits. Although our review was for TY 2010 IRS data, based on our findings, we would expect similar results if we reviewed alerts from other tax years.

Furthermore, SSA did not always develop IRS alerts timely to recover potential overpayments. While SSA had an opportunity to develop cases and assess possible overpayments before administrative finality rules apply, 19,170 (27 percent) of the 70,457 alerts we identified in December 2011 were still pending as of April 2013. Further, SSA coded 1,401 of these pending alerts as high-profile redeterminations, indicating the alerts were more likely to result in overpayments.

### Our Recommendations

We recommend that SSA:

1. Review the 20 sample cases we determined had overpayments and the remaining 2,485 cases from the sample population to ensure benefits are appropriately adjusted.
2. Based on the review of the TY 2010 cases, assess whether the IRS data for TYs 2011 and 2012 should be developed for those cases where there is significant income and resources reported.
3. Review its existing statistical profiling model to determine whether cases with significant income and resources are more likely to lead to an overpayment and should be sent to a field office for development.
4. Revise the profiling criteria for SSI couples with income above the tolerance to allow these cases to be included as part of the profiling model to determine the probability of an overpayment.

SSA agreed with our recommendations.