

The Social Security Administration's Use of the Treasury Offset Program

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Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) complied with laws and policies when it used the Treasury Offset Program (TOP) to collect Federal debts that were delinquent 10 years and longer.

Background

SSA administers several benefit programs, including the Old-Age, Survivors and Disability Insurance and Supplemental Security Income programs. The benefit amount payable to an individual under these programs depends on various factors. A change in one or more of these factors may result in a lower or no benefit payable to the individual. In these situations, until SSA learns of the change and adjusts the benefit, the individual is paid more than he/she is entitled to receive—an overpayment.

In October 2011, in response to a change in Federal law, SSA published regulatory changes that authorized referrals of delinquent debts 10 years and older to the Department of the Treasury (Treasury) for recovery through TOP. In June 2012, SSA began mailing notices to affected debtors informing them of the planned TOP action to collect their SSA debt. In April 2014, newspaper articles reported that individuals' Federal or State tax returns had been offset without any notice from SSA. SSA immediately halted its referrals pending a review of its process.

Findings

Our review found that SSA properly referred delinquent debts 10 years and older to Treasury, as provided for under current laws and regulations. SSA's External Collection Operation (ECO) system also correctly selected and referred debts to Treasury according to its policies and procedures and prevented the selection of 700 debts because of discrepancies in SSA benefit records.

For those debts referred to Treasury, SSA mailed debtors a pre-offset notice to the last known address in the Agency's records, as authorized by Treasury regulations. However, of the 264,558 10-year and older delinquent debts referred to Treasury, 7,580 (2.9 percent) debtors had a TOP offset after the U.S. Postal Service returned the debtors' pre-offset notices as undeliverable. For these debtors, the offset occurred because SSA experienced delays in recording the undeliverable notice information into its system. SSA took action to contact affected debtors and offered a refund of their offset.

For the 152,462 initial pre-offset notices returned to SSA as undeliverable, SSA requested an updated address from its address verification contractor. Before SSA resumes its referral of delinquent debts 10-years and older, it needs valid addresses for 67,789 debtors and needs to mail an initial pre-offset notice to 76,747 debtors. SSA stated it will seek a valid address, if it decides to resume referring the delinquent 10-year and older debts to TOP. Moreover, the pre-offset notices for these debts contained limited information about the debt. We believe that the information was insufficient for the debtor to recall the debt and the circumstances surrounding the debt.

Recommendations

We recommended that SSA (1) continue monitoring its implemented process change to obtain addresses from its contractor before sending the TOP pre-offset notice; (2) explore revising the TOP pre-offset notice to better explain the overpayment and when the overpayment was first established; and (3) resolve the record discrepancies for the 700 debts to ensure eligible debts are potentially selected by ECO and referred to TOP.

SSA agreed with all three of our recommendations.