

Overpayments Collected Through Long-term Repayment Plans

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Office of Audit Report Summary

Objective

To determine the outstanding overpayment balance that may remain uncollected because, at the agreed monthly repayment amount, the repayment period would exceed the individual's life expectancy.

Background

The Social Security Administration (SSA) attempts to pay the right person the right amount at the right time. However, given the size and complexity of the programs the Agency administers, payment errors do occur. An overpayment is the amount an individual has received that exceeds the amount the individual should have been paid.

When an individual is overpaid, the overpayment must be resolved by recovery, waiver, a determination that the overpayment either did not exist or was uncollectible, or any combination of these.

Our review focused on Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and Supplemental Security Income (SSI) recipients who had an outstanding balance greater than \$1,000 and had entered into a repayment agreement with SSA as of October 2014.

Findings

SSA uses a variety of methods to recover overpayments, including repayment agreements that provide for monthly installment payments to SSA. The SSA employee processing the overpayment negotiates the agreement. SSA policy directs employees to establish a rate that would permit recovery of the entire overpayment within 36 months. If this is not possible, the SSA employee may approve a longer repayment period after it evaluates an individual's income, expenses, and assets.

Based on repayment agreements at the time of our review, we determined that 7,222 (11 percent) of the 64,978 individuals in our population will not repay their entire overpayment balance before they reach life expectancy. This situation exists because SSA entered into long-term repayment agreements with these individuals that resulted in an average repayment period of 55 years. We estimate to all 20 segments of the Recovery of Overpayments, Accounting and Reporting System and Supplemental Security Record that over \$971 million (44 percent) of the more than \$2.2 billion outstanding overpayment balance may never be collected.

From the 7,222 individuals, we identified all individuals who would not repay their entire overpayment before reaching their life expectancy. Additionally, we conducted analysis to identify the potential impact on overpayment recovery if SSA established a minimum repayment amount based solely on the individual's income. We could not consider the individual's assets and household expenses, as required under current overpayment recovery policy. Negotiating repayment plans based on the individual's income, the outstanding overpayment balance at life expectancy could be reduced by over \$623 million (64 percent)—from \$971 million to approximately \$348 million.

Recommendation

We recommend that SSA evaluate its existing program debt repayment policy to reduce long-term repayment agreements. SSA agreed with our recommendation.