IMPROPER PAYMENTS INFORMATION ACT OF 2002 DETAILED REPORT

Background

We are committed to reducing improper payments. We report improper payment findings (both overpayments and underpayments) from our stewardship reviews of the non-medical aspects of Old-Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), we report as improper those payments that should not have been made or were made in an incorrect amount. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the *Government Performance and Results Act of 1993*.

Statistical Sampling

The Old-Age, Survivors, and Disability Insurance (OASDI) payment accuracy rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on the SSA rolls. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We select a statistically valid national sample monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the beneficiary or representative payee is interviewed, collateral contacts are made, as needed, and all non-medical factors of entitlement are redeveloped as of the current sample month. We input the findings to a national database for analysis and report preparation. Similarly, we determine the SSI payment accuracy rates by an annual review of a statistically valid national sample of the SSI recipient rolls, selected monthly. We determine separate rates for the accuracy of payments in terms of overpayment and underpayment dollars.

Risk-Susceptible Program

The SSI program has been identified as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and $10 million (see Table 1). SSI's estimated improper payments are expressed separately in terms of overpayments and underpayments. For fiscal year (FY) 2008, improper payments resulting in overpayments were $4.6 billion, or 10.3 percent of outlays. Improper payments resulting in underpayments totaled $789 million representing 1.8 percent of total outlays. Every tenth of a percent change represents $45 million dollars in error. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA has extended the improper payments reporting requirements to those programs and activities listed in the former Section 57 of OMB Circular No. A-11, including the OASI and DI programs.

Since the OMB guidance on IPIA requires the evaluation of all payment outlays, e.g., beyond the OASI, DI, and SSI programs that we administer, for the sixth consecutive year we performed a review of our administrative payments, e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments. Further information on this risk assessment of our administrative payments is available on pages 189 through 191.

Improper Payment Rates and Target Goals

The improper payment rates for the OASI, DI, and SSI programs for FYs 2006, 2007, and 2008 are presented in Table 1. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid. However, there may be differences in the calculated overpayment and underpayment rates due to rounding. The percentages and dollar amounts presented in Table 1 are correct based on actual numbers used from the source data.

Table 1: Improper Payments Experience FY 2006 – FY 2008 ($ in millions)						
	FY 2006		FY 2007		FY 2008	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Payments	$454,300		$479,500		$502,692	
Underpayments	$238	0.05%	$580	0.12%	$334	0.07%
Overpayments	$948	0.21%	$345	0.07%	$841	0.17%
DI						
Total Payments	$90,700		$97,300		$104,500	
Underpayments	$442	0.49%	$175	0.18%	$160	0.15%
Overpayments	$877	0.97%	$864	0.89%	$1,200	1.12%
OASDI						
Total Payments	$545,000		$576,800		$607,210	
Underpayments	$680	0.12%	$754	0.13%	$495	0.08%
Overpayments	$1,824	0.33%	$1,209	0.21%	$2,041	0.34%
SSI						
Total Payments	$40,328		$42,600		$45,045	
Underpayments	$896	2.2%	$652	1.5%	$789	1.8%
Overpayments	$3,193	7.9%	$3,900	9.1%	$4,648	10.3%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
3. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, +0.05% and -0.04% for underpayments and +0.24% and -0.20% for overpayment; for FY 2007, +0.11% and -0.14% for underpayments and +0.06% and -0.07% for overpayments; and for FY 2008, +0.06% and -0.04% for underpayments and +0.16% and -0.12% for overpayments;
4. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, +0.64% and -0.48% for underpayments and +0.85% and -0.85% for overpayments; for FY 2007, +0.17% and -0.19% for underpayments and +0.85% and -0.84% for overpayments; and for FY 2008, +0.14% and -0.12% for underpayments and ±0.91% for overpayments;
5. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, ±0.5% for underpayments and ±1.0% for overpayments; for FY 2007, ±0.4% for underpayments and ±1.9% for overpayments; and for FY 2008, ±0.53% for underpayments and ±1.46% for overpayments.

Target accuracy goals for FYs 2009, 2010, 2011, and 2012 for the OASDI and SSI programs are presented in Table 2. In the OASDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments. For the SSI program, our goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 96.0 percent for FYs 2009–2012.

Table 2: Improper Payments Reduction Outlook FY 2009 – FY 2012 ($ in millions)								
	2009 target		2010 target		2011 target		2012 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI								
Total Payments	$658,762	100%	$696,081	100%	$722,842	100%	$748,780	100%
Underpayments	$1,317	0.2%	$1,392	0.2%	$1,446	0.2%	$1,497	0.2%
Overpayments	$1,317	0.2%	$1,392	0.2%	$1,446	0.2%	$1,497	0.2%
SSI								
Total Payments	$49,069	100%	$51,668	100%	$52,958	100%	$56,000	100%
Underpayments	$589	1.2%	$620	1.2%	$635	1.2%	$672	1.2%
Overpayments	$1,963	4.0%	$2,067	4.0%	$2,118	4.0%	$2,240	4.0%

Notes:

1. We do not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2009 data will not be available until April 2010; therefore, the rates shown are targets (goals).
3. The FYs 2009, 2010, 2011 and 2012 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2010 Budget. The SSI projections for FYs 2011 and 2012 are adjusted (from those presented in the Mid-Session Review) because there are 13 payment days in FY 2011 and 11 payment days in FY 2012, yet the quality review is not affected by payment days, but rather by entitlement months.

Definitions of Improper Payments

As of 2009, OMB has asked that we categorize improper payments by one of the three categories defined below:

- **Administrative and Documentation Errors** are errors due to not having all of the supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level.
- **Authentication and Medical Necessity Errors** are errors due to being unable to authenticate criteria such as living arrangements or qualifying child through third-party sources or incorrectly assessing the necessity of a medical procedure.
- **Verification and Local Administration Errors** are errors due to not verifying recipient information including earnings, income, assets, or work status; or inputting classifying, or processing applications or payments incorrectly by a state agency or third party who is not the beneficiary.

For our OASDI and SSI programs, the major causes of error are presented in Tables 3 and 4, respectively.

Improper Payments in the OASI and DI Programs

Over the last five years (FYs 2004-2008), a total of nearly $2.3 trillion was paid to OASI beneficiaries. Of that total, $3.7 billion was projected to be overpaid, representing 0.16 percent of outlays. Underpayments during this same period were projected to be $2.2 billion, the equivalent of 0.10 percent of outlays.

Applying the same analysis to the DI program, we find that over the last five years, (FY's 2004-2008), a total of over $454.8 billion was paid to DI beneficiaries. Of that total, $6.3 billion was overpaid, representing 1.4 percent of outlays. Underpayments during this same period totaled $1.8 billion, the equivalent of 0.4 percent of outlays.

Major Causes of OASDI Improper Payments

Major causes of improper payments (overpayments and underpayments) in the OASDI program are listed below using OMB's 3 definitions of errors identified above.

Table 3: Major Causes of OASDI Improper Payments in FY 2008		
	% of Improper Payments	**Major Types of Errors**
Administrative and Documentation Errors	18%	Incorrect computations, onset dates and earnings history
Authentication and Medical Necessity Errors	2%	Relationship/dependency errors and failure to report cessation of full time attendance for students
Verification and Local Administration Errors	80%	Non-verification of earnings, income, assets or work status (e.g., in relation to Substantial Gainful Activity and Government Pension Offset); inputting, classifying, or processing applications or payments incorrectly

The major causes of improper overpayments in the OASDI program have been:

- Substantial Gainful Activity (SGA)
- Computations
- Government Pension Offset (GPO)
- Relationship/Dependency

The major causes of improper underpayments in the OASDI program have been:

- Computations
- Workers' Compensation (WC)
- Wages/Self-Employment Income (SEI)

While the improper payment rate in the OASDI program is very low, our annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. Payment errors are caused by deficiencies that result in incorrect payments. An error case may include more than one type of deficiency discovered during the quality review. If a case has multiple deficiencies, the total of the individual deficiency dollars may exceed the total payment dollars for that case. Total deficiency dollars are the sum of the deficiency dollars resulting from each deficiency. Error dollars are the net collective effect of all the deficiencies on a case-by-case basis. For the 5-year period from FY 2004 through FY 2008, OASDI deficiency dollars totaled $15.9 billion, an average of about $3.2 billion per year. Accordingly, we seek continuous improvement in our processes to minimize improper payments.

Corrective Actions

SGA: Although SGA is strictly an issue for Title II DI cases, errors attributed to SGA accounted for over 48 percent of all OASDI overpayment deficiency dollars for the last five FYs (2004-2008).

Errors involving SGA remain a significant problem area and while the number of SGA error cases remains low, the error dollars for these cases are often substantial. In terms of all errors (both overpayments and underpayments) for FYs 2004 through 2008, SGA accounted for about 35 percent of total OASDI deficiency dollars.

The process for making SGA determinations has inherent delays that contribute to the magnitude of the overpayments. For the 5-year period, 78 percent of the deficiency dollars associated with these errors resulted from the beneficiaries' failure to report that they were working. The remaining 22 percent of deficiency dollars are associated with cases where we received a notice of work activity from the beneficiary, but failed to schedule a work continuing disability review. To address the "failure to report" issue, we are initiating a review of individuals with recent work activity to determine if improvements can be made in the work verification process. We will examine when in the process cases are alerted, what we do with them, how long it takes, and what the final results yield. Currently, many invalid work alerts are generated which creates non-productive work. In addition, requests for work development are not initiated until an SSA employee reviews work history based on alerts produced by postings to the Master Earnings File. Our current analysis will determine if it is more efficient to automate work development requests much earlier in the process. In addition, we plan to develop and pilot ways to simplify the work CDR process, and improve the operational control of work reports and work reviews in order to reduce decision pending times.

Also, we are studying the feasibility of a quarterly interface match between the Office of Child Support Enforcement's National Directory of New Hires and our Master Earnings File to identify work activity by an Social Security Disability Insurance beneficiary. This quarterly match will allow us to more quickly identify and evaluate work activity and result in fewer overpayments due to work.

Computations: For the 5-year period ending 2008, errors in the computation category also trended higher than in prior years. Errors involving various "computations" accounted for about 22 percent of all Title II deficiency dollars for FY 2004 through 2008. About 75 percent of computational deficiency dollars are OASI program related. In terms of payment effect, computational errors result more often in underpayments to the beneficiary. For the FY 2004 through 2008 period about 59 percent of the computation deficiencies were underpayments.

For the 5-year period, the leading causes of computational-related underpayments were calculations involving the Primary Insurance Amount (PIA), Windfall Elimination Provision (WEP), family maximums, Automatic Earnings Reappraisal Operation, and adjusted retirement factor/delayed retirement credit. The Stewardship data confirms that nearly 30 percent of computation errors, particularly PIA and WEP have their origins in initial claims processing and therefore have long-term effects over the life of the claims.

For the same 5-year period, errors involving WEP were the leading cause of computational-related overpayments. This type of error results when WEP has not been appropriately applied to the beneficiary, usually as a result of untimely reporting of pension information. Nearly 83 percent of the overpayment computational deficiency dollars for the FY 2004 through 2008 period involved WEP.

A proposal in the President's FY 2010 Budget would require state and local governments to provide data directly to us on receipt of government pensions based on work not covered by Social Security. This proposal would give us the ability to identify non-covered work in a more timely and consistent manner.

GPO: GPO rules generally require reduced Social Security benefits for a spouse or surviving spouse who receives a monthly pension from a Federal, state, or local government agency. All of the deficiency dollars in this category are OASI overpayments. Errors involving GPO account for about 7 percent of all Title II deficiency dollars for FY 2004 through 2008. As mentioned in the computation error discussion above, a proposal in the President's FY 2010 budget to require pension data from state and local governments would also assist in identifying when GPO would apply based on a pension received due to work not covered by Social Security.

Relationship/Dependency: This category involves a variety of issues such as unreported remarriage, not having a child-in-care, and students who were not in full-time attendance. In the Relationship/Dependency category about 55 percent of deficiency dollar represent situations in which the beneficiary did not report remarriage. Deficiency dollars in this category are all overpayments, of which about 83 percent are OASI overpayments.

We are evaluating several internal recommendations to address relationship/dependency errors. These recommendations include potential systems enhancements related to entitlement of stepchildren, procedural revisions, and a possible legislative change.

WC: We have an ongoing effort to prevent future problems in the WC area, as well as clean-up past problem cases. However, this manually-intensive workload continues to be a challenge. WC offset is another area that is strictly related to Title II DI cases. Errors involving WC offset accounted for about 10 percent of all Title II deficiency dollars for FY 2004 through 2008. During this period, the large majority of the WC deficiency dollars were underpayments, approximately 69 percent of the WC deficiency total.

Many of the problems associated with this complex workload are due to the variations in state laws regarding the offset of Social Security benefits for both WC payments and Public Disability Benefits (PDB). In addition, some beneficiaries may receive a combination of weekly payments, PDBs and a lump sum settlement. The combination of variance in state laws and multiple types of payments of WC/PDB received by a beneficiary often results in processing errors.

To facilitate improvement in processing claims, we re-wrote our WC operating instructions in FY 2008. The re-write addressed WC procedures related to each state. Some enhancements to the Interactive Computation Facility for computing WC offset were completed and a national website was created to house processing instructions and memorandums. We continue to work to improve the handling of claims containing WC, as well as clean-up previously identified problem cases.

By the end of FY 2009, we will have cleared nearly 6,744 clean-up cases, using the criteria developed in FY 2006 to determine which cases yield the highest return for investment, while continuing to concentrate on the quality of current WC processing. Beginning in FY 2010 and continuing through the next five years, our tentative plans are to clear 11,311 additional clean-up cases.

We are currently conducting a study on WC processing in initial claims to help determine problems during adjudication. If we can improve initial WC processing, this should translate to improved post-entitlement accuracy as well.

Wages/SEI: Wages or self-employment errors result when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. Although earnings-related errors involve small dollars in the sample month, they can have a substantial impact over the life of the claim. Unless discovered in a review such as a quality review, earnings-related deficiencies reflect an incorrect payment that will continue for the life of the claim. In terms of payment effect, earnings-related errors result more often in underpayments to the beneficiary. For the FY 2004 through 2008 period, about 65 percent of the deficiency dollars for this category were underpayments. Many of these errors occur when military service credits are not given and when missing postings on the Master Earnings File are not resolved during adjudication.

We have taken a number of actions to reduce earnings-related errors. We added language to the Social Security Statement to remind the public to inform us of incorrect earnings postings. Beginning in FY 2000, all workers age 25 or over began receiving their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits.

We have replaced the Earnings Computation alerts process with the Earnings Alert Record Query in the processing of claims. The Earnings Alert Record Query is a stand-alone query that checks the Master Earnings File for potential earnings irregularities on an individual's earnings record for years after 1977 (1978 and later). We implemented these alerts to enhance the detection of possible earnings irregularities and to eliminate unnecessary wage development during the earnings record review.

Increases in electronic W-2 filings reduce the number of items requiring later correction and improve earnings record accuracy. We exceeded our goal (81 percent) to receive all Form W-2s electronically for tax year 2008. For tax year 2009, our goal is to receive 83 percent of all W-2s electronically. As of August 8, 2009, we had received 197,194,262 (83.7 percent) of W-2s electronically.

The Social Security Number Verification Service allows registered employers or their third party representatives to verify the names and SSNs of hired employees for wage reporting purposes. Over the internet, users can verify up to 10 names and SSNs per screen with immediate results or upload a file with up to 250,000 names and SSNs with the results available the next business day. In fiscal year 2009, through August 7, 2009, we have verified over 84.9 million names and SSNs for over 37,600 employers.

Earnings that are not posted to an earnings record after the annual posting cycle go to a suspense file. These wage or self-employment earnings are not matched to an earnings record after all routine matching operations are complete. We are working to develop new and additional automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service;
- Search the suspense file for missing earnings; and
- Match and move items from suspense to the beneficiary's earnings record.

We currently run several processes that re-examine the suspense file and electronically identify and post to the correct earnings records millions of dollars of earnings. In FY 2009 alone, these processes have moved over 104,000 items from the Earnings Suspense File (ESF) to the Master Earnings File resulting in more than $537 million being posted to the correct beneficiary record. We also expect that these re-examination processes will help us to enhance the management of the suspense file. In addition, we developed a software program (Manual Suspense Items Reinstate – MSIR) that is being used by the agency to manually look at ESF items that scored high in matching routines, but not high enough to be reinstated through one of the automated processes. To date, in FY 2009, MSIR has reinstated nearly 100,000 items from tax years 2003 and 2004 to the Master Earnings File, totaling over $361 million.

Improper Payments in the SSI Program

Over the last five years (FYs 2004-2008), we paid a total of $204.5 billion to SSI recipients. Of that total, $16.6 billion was overpaid, representing 8.1 percent of outlays. Underpayments during this same period totaled $3.4 billion, the equivalent of 1.7 percent of outlays

We recognize the continuing decline in the accuracy of SSI payments. This is mainly caused by the focusing agency resources on initial claims processing, rather than post-payment initiatives. In the corrective action section below, we discuss efforts to make improvements. In addition, we will be developing an agency plan focused on these improvements and identifying others to increase SSI payment accuracy.

Major Causes of SSI Improper Payments

Major causes of improper payments (overpayments and underpayments) in the SSI program are listed in Table 4, using OMB's three definitions of errors identified above.

Table 4: Major Causes of SSI Improper Payments in FY 2008		
	% of Improper Payments	**Major Types of Errors**
Administrative and Documentation Errors	11%	Incorrect computations, misapplication of an income or resource exclusion and wrong month of change
Authentication and Medical Necessity Errors	23%	Existence or changes to living arrangements and In-kind Support and Maintenance (ISM)
Verification and Local Administration Errors	66%	Verification of financial accounts and wages

The major causes of improper overpayments in the SSI program have been:

- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)
- Wages

The major causes of improper underpayments in the SSI program have been:

- Wages
- Living Arrangement "A"
- In-kind Support and Maintenance

Payment errors are caused by deficiencies that result in incorrect payments. An error case may include more than one type of deficiency discovered during the quality review. If a case has multiple deficiencies, the total of the individual deficiency dollars may exceed the total payment dollars for that case. Total deficiency dollars are the sum of the deficiency dollars resulting from each deficiency. Error dollars are the net collective effect of all the deficiencies on a case-by-case basis.

Corrective Actions

For the entire 5-year period, 78 percent of the improper payments were overpayments caused by a change that occurred independent of an initial claim, redetermination, or limited issue. A limited issue is a case requiring development of a specific issue or event without conducting a redetermination.

Financial Accounts: For the 5-year period, financial accounts were the leading causes of overpayments, accounting for about 21 percent of the total overpayment dollars. For FY 2008, financial account overpayment deficiencies are estimated to be $1.4 billion.

Financial account deficiencies occur when financial accounts owned by the recipient or deemor (parent or spouse of an eligible individual) exceed the resource limit and the recipient becomes ineligible for SSI payments. For the 5-year period, undisclosed bank accounts or an increase in the amount of an account that the recipient or representative payee did not disclose to us accounted for 97 percent of the total overpaid dollars.

Each year, the majority of improper payments in this category were attributed to changes that occurred subsequent to an initial claim or after completion of the last redetermination. That is, these improper payments occurred after we had been in contact with the recipient. In FY 2008, 90 percent of the improper payments in this category fit this description.

The agency's Access to Financial Information initiative provides for verification of bank account balances. This initiative is currently in effect in New York, New Jersey, and California. It has the potential to detect and prevent many of these bank account errors. If additional funding is made available in FY 2010, we will begin the process of national rollout.

Wages: Wages have been one of the leading deficiency types for overpayment improper payments in the last five years. They accounted for about 18 percent of total overpayment improper payments during the 5-year period. The major factor (91 percent) in wage overpayment improper payments was the failure of recipients/representative payees to provide an accurate and timely report of new or increased wages for the recipient or deemor. Wage overpayments increased from $803 million in FY 2007 to $884 million in FY 2008, a 10 percent increase.

In an effort to achieve more timely and accurate reporting of wages, the agency has implemented the SSI Telephone Wage Reporting system. This provides a separate toll-free number for people to call and report their wages each month. The monthly reporting of wages and automatic input to SSA's systems is an effective way to avoid incorrect SSI payments. Effective May 8, 2009, field offices across the nation must recruit SSI recipients, deemors (parent or ineligible spouse of an SSI recipient) and representative payees to participate at initial claim, redeterminations, and limited issue interviews. In FY 2009, the number of individuals who submitted wage reports by telephone was over 10,250. We anticipate that the favorable effects of this new national initiative should begin to appear when we measure FY 2009 accuracy.

In FY 2008, we completed just over 1.2 million non-medical redeterminations and limited issue reviews of SSI recipients. The number of limited issues was slightly less than in FY 2007, while the number of redeterminations increased by about 200,000.

Wages have been the leading cause of underpayment improper payments in four of the last five years, accounting for about 26 percent of total underpayment improper payments during the 5-year period. The major factor (88 percent) in wage underpayment improper payments was the failure of recipients/representative payees to report a decrease or termination in wages for the recipient or deemor. Over the 5-year period, wages earned by deemors accounted for 63 percent of underpayment improper payments and wages earned by recipients accounted for 37 percent of underpayment improper payments.

For the 5-year reporting period, wage fluctuations accounted for 61 percent of underpayment wage improper payments. The remaining improper payments resulted because recipients/representative payees failed to report a reduction or termination of wages, or because of miscellaneous reasons; e.g., wages were deemed that should not have been deemed. Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

Living Arrangements: Living arrangement "A" is the category that includes people who should have been paid based on "living in own household" (e.g., home ownership, rental liability, paying pro rata share of household expenses) but were paid based on another living arrangement. This category was the second leading cause of underpayment improper payments for the last five years, accounting for 19 percent of the total underpaid dollars.

Over the five years, this deficiency primarily occurred (88 percent) when the recipient provided an incomplete or inaccurate report or failed to report a change. For each year in the 5-year period, almost two-thirds of the underpayment improper payments were caused by a change that occurred after an initial claim or after the last redetermination/related limited issue.

ISM: ISM deficiencies were the third leading cause of underpayment error dollars over the last five years, accounting for 19 percent of the total underpaid dollars. The primary cause of ISM underpayment improper payments for the 5-year period was when the recipient was no longer receiving ISM yet it continued to be figured into the payment calculation (89 percent). This occurred because a change was not reported or we received an incomplete/inaccurate report (75 percent) and because field offices inaccurately processed cases (21 percent). The remainder occurred because of administrative tolerances or mail-in redeterminations that did not solicit information to identify the change in ISM. For the 5-year period, 70 percent of the ISM improper payments resulted from a change subsequent to an initial claim or after the last redetermination/related limited issue.

We are continuing to look at options for simplifying living arrangements and ISM policies that we believe would contribute to a reduction in underpayments.

The redetermination process is one of our most powerful tools for preventing and detecting improper SSI payments. As described above, the vast majority of improper payments occur at a point in time when we are not in contact with the individual. Clearly, more frequent redeterminations will result in reductions in the level of improper payments.

Medical Aspects of the DI and SSI Programs

The medical aspects of the DI and SSI programs are administered through state agencies at the initial claim, reconsideration, and continuing disability review stages of the disability process. We have established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The allowance, denial, and overall accuracy rates for FYs 2007 and 2008 are presented in Table 5. These rates are determined by our quality assurance review of initial claims. We review all sampled determinations prior to effectuation and deficient cases are returned and corrected.

For FY 2009 the combined allowance and denial goal for net accuracy goal is 97 percent. FY 2009 data will be available in January 2010.

Table 5: DDS Initial Claim Net Accuracy

Initial Claim Net Accuracy	FY 2007	FY 2008
Allowance	98.4%	98.9%
Denial	95.6%	95.4%
Combined	96.6%	96.6%

Note: The changes from FY 2007 to FY 2008 are not statistically significant.

The *Social Security Act* also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). To the extent feasible, we make the selection from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. We review all sampled determinations prior to effectuation and return and correct deficient cases. For FY 2007, Title II PER was estimated to save $583 million in lifetime OASDI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 11:1.

The *Social Security Act* now includes an extension of the PER review of favorable adult disability decisions to the SSI program. FY 2008 is the first year we were required to review 50 percent of all allowances in the SSI program. In FY 2007, we were required to review 40 percent of SSI allowances. For FY 2007, SSI PER was estimated to save $88 million in lifetime SSI and Medicaid payments, with a benefit/cost ratio of 8:1.

Improper Payments for Administrative Outlays

We conducted an evaluation of our FY 2008 administrative payments and determined them not to be susceptible to significant improper payments. In FY 2008, we outlaid $11,055 million to administer the OASI, DI, and SSI programs. These costs largely consisted of payroll and benefits but also included payments to state agencies for the DDS.

Risk Assessment

We segmented administrative payments into several categories and used the categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 6: FY 2008 Administrative Expenses ($ in millions)	
Payroll and Benefits	$5,490
State DDS	$1,854
Other Administrative Expenses*	$3,711
Total Administrative Payments	$11,055

Notes:

*Other Administrative Expenses includes Travel, Transportation, Rents, Communications and Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land and Structure, Grants, Subsidies and Contributions, Information Technology Systems, OASI and DI Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest and Dividends, and Insurance Claims and Indemnities.

Using OMB guidelines, we conducted a risk assessment on each of the categories listed in Table 6. We reviewed the payment categories and assessed any identified improper payments versus the entire payment category. The result of this analysis showed that our administrative payments were not susceptible to significant improper payments.

As part of the risk assessment, we also considered the following factors:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive edits inherent in our administrative payment systems; and
- The strong internal control structure we have in place to prevent, detect, and recover improper administrative payments.

Based on the results of the overall risk assessment, we determined that our administrative payments do not meet the criteria for further reporting to Congress or OMB based on the OMB-issued guidance.

Recovery Audit Program

Section 831 of the *Defense Authorization Act for FY 2002* added a subchapter to the U.S. Code (31 USC 3561-3567) that requires agencies that enter into contracts with a total value in excess of $500 million in a fiscal year to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

OMB guidance states that agencies shall have a cost-effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that administrative payments are not susceptible to significant improper payments, we have established an in-house recovery audit program for administrative payments to address recovery issues related to recovering and limiting improper sales tax, excise tax, and late payment charges. Additionally, we use computer-assisted auditing techniques to identify possible duplicate payments. Our in-house recovery audit program employs an automated query system to identify payments made to the same vendor, with the same invoice date, and for the same amount to help identify payments that represent a higher risk of being double payments.

Results from our in-house recovery audit program and quality review process continue to confirm that Administrative Payments are well below the threshold established for reporting improper payments. These results further validate and reinforce our existing controls for the prevention, detection, and collection of improper payments.

Program Scope

The recovery audit program scope included a sample review ($12.362 million) of the $1,462 million total administrative contractor payments for FY 2008. Of the total population, about .05 percent or $750,622 had been identified as an improper payment and collected. These results further validated our existing controls for prevention, detection, and collection of administrative improper payments.

We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and condition of the contract.
- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor's final voucher, all prior interim payments made under the contract were accounted for and reconciled.

Table 7: FY 2008 Recovery Auditing Results ($ in millions)

Agency Component	Amount subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
Administrative Expenses	$1,462	$12.362	$0.750	$0.750	$5.085	$5.085	$5.835	$5.835

Accountability for Improper Payments

In recognition of our responsibility to make payments in the right amount - neither overpaying nor underpaying - our Agency Strategic Plan includes an objective to curb improper payments. In view of the strategic importance of this effort, we are taking practical steps to strengthen management focus and accountability on initiatives aimed at better detection and prevention of improper payments.

SSA's Chief Financial Officer now has the lead responsibility for integrating our activities and planning efforts in the improper payments area. In that role, the Chief Financial Officer provides oversight of improper payments activities, develops improvement plans, and sets achievement milestones, in coordination with other agency executives. Progress is monitored in regular meetings and agency executives are held accountable for achieving plan milestones.

Agency Information Systems to Reduce Improper Payments

Background

We have a formal process to plan and execute Information Technology (IT) projects and the IT budget. The Information Technology Advisory Board (ITAB) is an executive body offering advice to our Chief Information Officer on areas of Capital Planning and Investment Control. The ITAB is comprised of the Chief Information Officer, Deputy Commissioner for SSA, all Deputy Commissioners, and other executive staff.

As part of the Capital Planning and Investment Control environment, the ITAB reviews and approves IT plans outlining Office of Systems' IT initiatives prior to the beginning of the fiscal year. These IT plans become the blueprint for the developmental and maintenance activity within the Office of Systems.

On a quarterly basis, the ITAB reviews the progress of each IT plan and the agreed capital investments. Major investments are assessed at key decision points to ensure they are well-founded, are achieved within the approved cost and schedule, and provide expected benefits. They may be redirected or terminated when necessary. These activities are key to our capital investment and control process.

IT Strategy

The driving force behind IT Strategy is the Social Security Administration's IT Capital Planning and Investment Control process, which ensures broad Agency involvement in IT investment selection, control, and evaluation through a Chief Information Officer-chaired ITAB made up of senior executives and through independent Chief Information Officer-directed review and oversight. The IT Capital Planning and Investment Control process oversees all Agency IT investments (including internal IT staff resources as well as the acquisition of IT hardware, software, and services) through the Agency's IT planning, budgeting, cost, and schedule oversight and system development life cycle management processes.

IT projects are placed in Strategic Objective Portfolios that are based on the *Agency Strategic Plan* (ASP) Goals, Special Initiative, and Key Foundational Elements. There are 8 portfolios based on the ASP and a ninth portfolio for Reimbursable Work initiatives. The majority of the improper payment IT initiatives are in the Program Integrity Portfolio.

Provided we develop the IT initiatives identified to improve preventing, detecting, and collecting improper payments and are given the resources to do so, we will be in a better position to achieve our strategic objectives in this area. The President's FY 2010 budget request for the agency is $11.451 billion for Limitation on Administrative Expenses, an increase of $997 million in discretionary budget authority over our FY 2009 appropriation. With the President's FY 2010 budget, we will be able to process almost 4.6 million retirement and survivors claims and improve service to 800-number callers, substantially reduce the hearings backlog, and process more program integrity work. The budget supports our efforts to improve payment accuracy through a broad range of activities designed to prevent and detect improper payments. These efforts include processing approximately 2.3 million SSA non-disability redeterminations. These activities will help ensure the ongoing stewardship of our programs.

Statutory and Regulatory Barriers to Reducing Improper Payments

We continuously develop legislative proposals to improve administration of the OASI, DI, and SSI programs. For example, the President's FY 2010 budget included a proposal that would improve the administration of the GPO and the WEP by requiring pension payers to identify if the pension paid to the person is based in any part on work that was not covered by Social Security. With this information, we could then compare the reports with beneficiary payment records and examine cases that indicate the possibility that GPO or WEP applies. We would be able to obtain data on pensions based on noncovered work in a more timely and consistent manner. The proposal would thereby improve our stewardship over the program and the Social Security Trust Funds.

In another example, the *Food, Conservation and Energy Act of 2008* included a provision that allows the Federal Government to trace and recover Federal payments sent electronically to the wrong account. Previously, SSA only received OASDI account holder information for recovery. Pending publication of the Department of Treasury's regulations, we will have the authority to recover those misdirected and/or improper electronic payments for SSI in addition to OASDI.

Agency Efforts to Collect Overpayments in the OASI, DI and SSI Programs

In FY 2009, we collected $3.06 billion in program debt. We achieve debt collections in a variety of ways that have been developed over the years. Collection techniques include internal methods such as benefit withholding and billing and follow-up. In addition, we use external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* (FCIA) for SSI debts. These debt collection tools include the Treasury Offset Program (TOP), credit bureau reporting, administrative wage garnishment (AWG), and Federal Salary Offset (FSO).

Our strategy for improving our debt collection program is to focus on the techniques that provide direct collections from revenue sources or that can be easily integrated into existing systems. In keeping with this strategy, we have worked steadily over the years to build the strong debt collection program we now employ. We have a history of striving for maximum stewardship of the OASI and DI Trust Funds and the General Fund. In the early 1990s, we launched an expansion of debt collection tools that continues today.

Beyond our internal methods of debt collection which are benefit withholding and billing/follow-up, Table 8 below summarizes the results of key debt management initiatives we have undertaken, followed by a discussion summary of each initiative.

From their inception through September 2009, these initiatives have yielded over $3.5 billion in benefits through a combination of overpayment recovery and prevention improvements.

Table 8: Results Summary - Debt Management Initiatives ($ in Billions) Through September 2009

Initiative	Initial Inception	Results		
		OASDI	SSI	TOTAL
Tax Refund Offset/Treasury Offset	1992	$0.982	$0.675	$1.657
Credit Bureau Reporting	1998	$0.291	$0.236	$0.527
Cross Program Recovery	2002	$0.055	$0.486	$0.541
Wage Garnishment	2005	$0.043	$0.011	$0.054
Automatic Netting - SSI	2002	N/A	$0.730	$0.730
Total ($ Billion)		**$1.371**	**$2.138**	**$3.509**

Note: Tax Refund Offset/Treasury Offset includes Federal Salary Offset recoveries.

Non-Entitled Debtor collections are included in Tax Refund Offset/Treasury Offset, Credit Bureau Reporting, and Wage Garnishment totals.

Tax Refund Offset/Treasury Offset: Taking advantage of the legal authorities granted in the *Omnibus Budget Reconciliation Act of 1990* (for OASDI debts), and the *Deficit Reduction Act of 1984* (for SSI debts), we began an expansion of our debt collection initiatives with the implementation of tax refund offset (TRO) in 1992. We enhanced our TRO program twice in the 1990s and then merged it with TOP in 1998. To date, we have collected over $1.6 billion in delinquent debt via TRO/TOP.

Credit Bureau Reporting: In 1998, we began reporting delinquent OASI and DI debts to credit bureaus. After receiving the authority to use credit bureau reporting for SSI debts in 1999, we also began reporting those delinquent debts to the credit repositories. Since 1998, the negative consequences of credit bureau reporting have contributed to the voluntary repayment of over $527 million in delinquent overpayments by people who do not want to submit to the reporting or to other aggressive collection tools such as TOP and AWG.

Cross Program Recovery - SSI: After receiving the authority to use mandatory Cross Program Recovery (CPR), or the collection of an SSI overpayment from monthly OASI and DI benefits due the debtor, we developed and implemented this internal collection method. Since 2002, we have collected over $486 million in SSI overpayments from the Social Security benefits paid each month to the former SSI recipients. Also, we received additional authority for CPR in the *Social Security Protection Act (SSPA) of 2004* that enabled us to use mandatory CPR in situations where CPR was not previously permitted. We started using this new authority in January 2005 to collect SSI overpayments from large OASDI underpayments, even when the individual remains eligible for SSI monthly payments.

Cross Program Recovery - OASDI: Under the authority granted by the SSPA of 2004, we further expanded the use of CPR in August 2007 to include recovery of OASDI overpayments from SSI underpayments. Since implementing this expanded CPR process, we have recovered almost $55 million in OASDI overpayments. We intend to continue expanding the CPR program to other situations in the future.

AWG: We also implemented AWG, a process in which a Federal agency orders an employer to withhold amounts each payday from an employee who owes a debt to the agency, and the employer pays those amounts to the agency. We issued the first garnishment orders in April 2005 to the employers of OASI, DI, and SSI debtors who became delinquent in 2005. We expanded the AWG program to all existing delinquent debtors in August 2006. To date we have recovered over $54 million in AWG.

Automatic Netting - SSI: In addition to the preceding improvements, we implemented other debt collection techniques of major import. One such improvement is called "Netting," an automated process implemented in September 2002 to automatically net SSI overpayments against SSI underpayments. Since implementing automatic netting, we have prevented nearly $730 million in overpayments computed and underpayments paid.

Non-Entitled Debtors: In November 2005, we implemented a new initiative called the Non-Entitled Debtors (NED) program, which was also authorized by the FCIA. This automated system enables us to control recovery activity for debts owed by people for whom we do not have a master record. For example, the records for debtors such as representative payees who receive overpayments after the death of the beneficiary are controlled in NED. Work is continuing on the expansion of this system, which will eventually include all types of debtors who are not entitled to benefits and will allow us to collect NED debts by means such as TRO, AWG, and FSO.

FSO: In FY 2006, we implemented FSO, which was authorized by the DCIA for OASDI debts, and by the FCIA for SSI debts. FSO is the process whereby the salary paying agency withholds amounts each pay day from an employee of the Federal government who owes a debt to a creditor agency. We use FSO to collect delinquent SSA overpayments owed by Federal employees, including employees who work for SSA.

Other Initiatives: We have also helped other Federal agencies with debt collection by collaborating with Treasury's Financial Management Service and Internal Revenue Service to develop two collection programs for collecting delinquent non-tax and tax debt: (1) The Benefit Payment Offset program, authorized by the DCIA, collects delinquent non-tax debts from Social Security benefits; and (2) the Federal Payment Levy Program, authorized by the *Taxpayer Relief Act of 1997*, collects delinquent tax debts from Social Security benefits.

Continued improvement in our debt collection program is also underway. The future will see the expansion of our current initiatives as well as the implementation of several remaining debt collection tools which would be achieved through promulgating regulations. They include the use of private collection agencies and administrative fees, interest-charging, or indexing a debt to reflect its current value.

Economic Recovery Payments (ERP)

In February 2009 President Obama signed the *American Recovery and Reinvestment Act* (ARRA) of 2009 which provided for a one-time ERP of $250 to most adult OASDI, SSI, Railroad Retirement Board (RRB), and Veteran's Affairs (VA) Disability beneficiaries. If an individual was eligible for OASDI and/or SSI benefits in November 2008, December 2008, or January 2009, they are entitled to receive the one-time payment. If individuals receive benefits from more than one of the eligible programs, they receive a single $250 payment. The ARRA authorized the Agency to make payments through December 31, 2010. As of September 30, 2009, we have made almost 53 million ERPs totaling $13.1 billion.

We developed a risk management plan to determine the accuracy of the payments and for the following reasons the payments were determined to be low risk and not susceptible to improper payments.

- We used our existing Title II and Title XVI programmatic databases and master files to select and certify ERPs.
- We employed a sophisticated matching operation internally with the VA and RRB to select eligible recipients for payment, according to criteria in the ARRA and guard against duplicate payments.
- Moreover, ERPs were certified at a fixed rate of $250 for each eligible recipient and did not involve benefit computations. (From a payment accuracy perspective, this is highly significant because, historically, computation-related factors are a major cause of payment errors for the Title II and Title XVI program.)

To further support our determination that these were low risk payments and not susceptible to improper payments, to date out of the almost 53 million payments we have received only 46,991 (.09 percent) claims of non-receipt and 326 (.0006 percent) double check negotiations.

An area of concern was our selection and payment of Prouty beneficiaries, beneficiaries who attained age 72 before 1972, many of whom had been in suspense status for a long time and were since deceased. Of almost 53 million ERPs, 8,208 (.02 percent) were issued to Prouty beneficiaries. We have since recovered funds for 84 percent of those payments. We expect to be reimbursed for most of the remaining payments through the "limited payability" of Treasury checks. That is, Treasury will credit us with the funds for any ERP checks that remain unnegotiated after one year from the date of issuance.

Issuing ERPs to 4,400 individuals residing in prisons was another concern. According to ARRA, an individual in prison could be eligible for the one-time $250 payment. There are certain categories of these individuals we are evaluating to verify their eligibility for ERPs. Most of the payments for the 1,500 individuals who were determined to be ineligible have already been recovered.

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