

IMPROPER PAYMENTS INFORMATION DETAILED REPORT

Background

Our Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) program integrity workloads are critical to ensuring efficient programs and accurate payments. We take our responsibility to reduce improper payments very seriously – curbing improper payments is one objective in our Strategic Goal to Preserve the Public’s Trust in Our Programs. Each year, we report improper payment findings, both overpayments and underpayments, from our stewardship reviews of the non-medical aspects of the OASI, DI, and SSI programs. In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA), we report as improper those payments that result from:

- Errors in computing the payment;
- Not obtaining or taking action on available information affecting the payment;
- A beneficiary’s failure to report an event; or
- A beneficiary’s incorrect report.

The information presented in this report complies with the guidance provided in IPIA, OMB Circular No. A-123, Appendix C, Parts I and II, *Requirements for Effective Measurement and Remediation of Improper Payments*, and OMB Circular No. A-136, *Financial Reporting Requirements*. This report provides general information demonstrating our commitment to reducing improper payments. It also contains descriptions of our efforts in reducing improper payments for our OASDI and SSI benefit programs and our administrative payments.

In addition to the information contained in this report, [a public improper payments website is available at: www.socialsecurity.gov/improperpayments](http://www.socialsecurity.gov/improperpayments). The site provides additional information on our efforts to curb improper payments for the OASDI and SSI programs and to meet the requirements of Executive Order 13520, *Reducing Improper Payments*.

Risk Susceptible Program

IPERA expanded the definition of programs susceptible to significant improper payments to include programs with improper payments estimated to exceed \$100 million. Under this definition, our OASI, DI, and SSI programs are susceptible to significant improper payments. We estimate improper payments in these programs in terms of overpayments and underpayments. See Table 1 for details of our OASI and DI improper payments, and Table 6 for details of our SSI improper payments.

OMB’s IPERA guidance requires us to evaluate all of our payment outlays (i.e., payments from the OASI, DI, and SSI programs and other outlays, such as administrative payments). For the 10th consecutive year, we reviewed our administrative payments, including payroll disbursements and vendor payments. We found these payments were not susceptible to significant improper payments. Further information on this risk assessment of our administrative payments is available in the Improper Administrative Payments section of this improper payments report.

Risk Assessment: Benefit Payments

To comply with IPERA's risk assessment requirements, we conduct an annual stewardship review of our OASDI and SSI payments. Our stewardship review is a proven, cost-effective means for evaluating payment accuracy and identifying major causes of improper payments in our benefit programs, and OMB has approved it as a means to assess the risk of improper payments in our programs.

Statistical Sampling

We use stewardship reviews to measure the accuracy of payments to beneficiaries. Each month, we review a statistically valid sample of OASI, DI, and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility as of the sample month. We based the data in the OASDI and SSI Improper Payments Experience tables on cases sampled in fiscal year (FY) 2012. FY 2013 data will not be available until April 2014. We will report our findings from the FY 2013 stewardship reviews in next year's *Improper Payments Information Detailed Report*.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refers to an incorrect payment made to a case as a whole, with an overpayment or underpayment occurring when we pay more or less than we should have. Some cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency. We analyze and track the individual effect of each separate cause of error. Because we project findings from samples, we use a five-year rolling average for each type of deficiency to identify and rank error trends.

Stewardship review findings provide the data necessary to meet the IPIA reporting requirements. The OASDI and SSI payment accuracy rates developed in the stewardship reviews reflect the accuracy of payments issued to OASDI beneficiaries and SSI recipients. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI.

Improper Payments Strategy

For FYs 2013-2014, we refocused our improper payments strategy to align with our Improper Payments Governance strategy. We are working in collaboration with our Federal partners, stakeholders, and beneficiaries to attain our agency Strategic Goal to Preserve the Public's Trust in Our Programs. Proper management of payments is an essential element of our goal.

Under this Strategic Goal, we will:

- Prevent payment errors by getting the payment right the first time through policy and process simplifications and system enhancements;
- Detect and correct overpayments and underpayments;
- Promote program integrity by curbing fraudulent behavior; and
- Recover overpayments by enhancing debt collection practices.

In addition to our on-going efforts to curb improper payments, we identified the following seven key strategic initiatives to achieve our Strategic Goal:

- Increase Access to Financial Institutions (AFI) information;
- Enhance the SSI wage-reporting process;

- Identify non-home real property;
- Increase post-entitlement accuracy;
- Improve death data processing;
- Impose administrative sanctions; and
- Enhance debt collection policy and practices.

We will discuss these initiatives and how they relate to reducing improper payments in our OASDI and SSI programs in the sections of this improper payments report titled Major Causes of OASDI Improper Payments and Major Causes of SSI Improper Payments, respectively. For the initiatives that affect improper payments in both programs, please refer to the section of this improper payments report titled Efforts to Reduce Fraud, Waste, and Abuse in the OASDI and SSI Programs.

Improper Payments in the OASI and DI Programs

Experience and Outlook

Table 1 shows the improper payment rates for the OASI and DI programs for FYs 2010, 2011, and 2012. We calculate the overpayment rate by dividing overpayment dollars by total dollars paid, and the underpayment rate by dividing underpayment dollars by total dollars paid.

**Table 1: OASDI Improper Payments Experience
FY 2010 – FY 2012
(dollars in millions)**

	FY 2010		FY 2011		FY 2012	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	\$572,569		\$588,865		\$643,100	
Underpayment Error	\$527	0.09%	\$468	0.08%	\$517	0.08%
Overpayment Error	\$1,878	0.33%	\$653	0.11%	\$469	0.07%
DI						
Total Benefit Payments	\$122,899		\$128,086		\$127,200	
Underpayment Error	\$1,261	1.03%	\$479	0.37%	\$223	0.18%
Overpayment Error	\$844	0.69%	\$1,624	1.27%	\$1,239	0.97%
Combined OASDI						
Total Benefit Payments	\$695,469		\$716,951		\$770,300	
Underpayment Error	\$1,788	0.25%	\$946	0.13%	\$740	0.10%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	\$2,722	0.39%	\$2,277	0.32%	\$1,708	0.22%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FY 2010 are actual cash outlays. Total benefit payments for FYs 2011 and 2012 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.
2. FY 2013 data will not be available until April 2014.
3. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
4. OASI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2010, ±0.03 percent for underpayments and +0.32 percent and -0.35 percent for overpayments; for FY 2011, +0.07 percent and -0.08 percent for underpayments and ±0.08 percent for overpayments; and for FY 2012, +0.05 percent and -0.06 percent for underpayments and ±0.04 percent for overpayments.
5. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2010, +0.88 percent and -0.87 percent for underpayments and +0.68 percent and -0.72 percent for overpayments; for FY 2011, +0.36 percent and -0.49 percent for underpayments and ±1.21 percent for overpayments; and for FY 2012, +0.17 percent and -0.26 percent for underpayments and +0.86 percent and -0.87 percent for overpayments.
6. Changes in the OASDI error rates from FY 2011 to FY 2012 are not statistically significant.

Other Information

Over the last 5 years (FYs 2008-2012), our stewardship reviews estimate that we paid approximately \$2.9 trillion to OASI beneficiaries. Of that total, we estimate \$4.7 billion were overpayments, representing 0.16 percent of outlays. We estimate that underpayments during this same period were \$2.3 billion, the equivalent of 0.08 percent of outlays.

Applying the same analysis to the DI program, we estimated that we paid \$597.8 billion to DI beneficiaries over the last 5 years (FYs 2008-2012). Of that total, we estimate \$6.6 billion were overpayments, representing 1.1 percent of outlays. We estimate underpayments during this same period totaled \$2.3 billion, the equivalent of 0.4 percent of outlays.

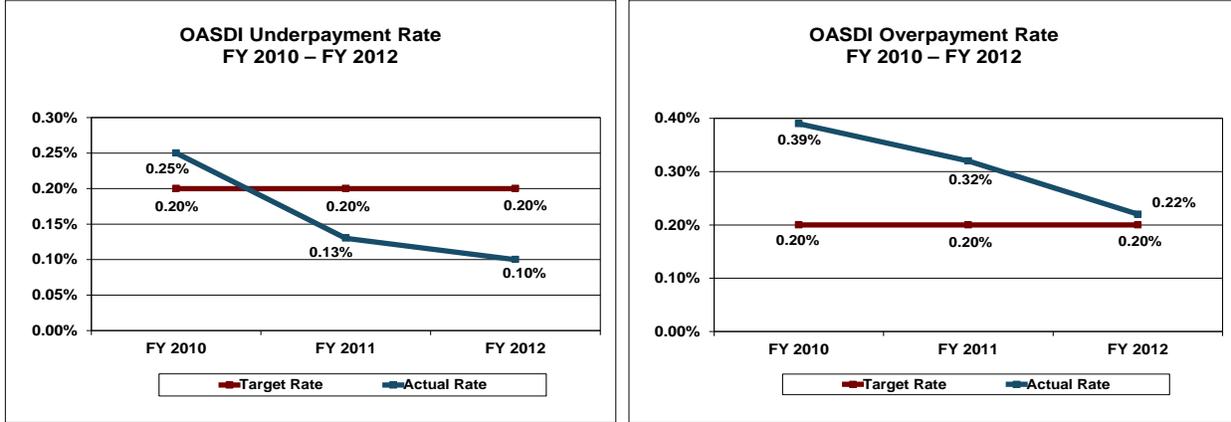


Table 2 presents our accuracy targets for FYs 2013, 2014, and 2015 for the OASDI programs. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

Table 2: OASDI Improper Payments Reduction Outlook FY 2013 – FY 2015 (dollars in millions)						
	2013 Target		2014 Target		2015 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Benefit Payments	\$804,137		\$845,377		\$893,222	
Underpayments	\$1,608	0.20%	\$1,691	0.20%	\$1,786	0.20%
Overpayments	\$1,608	0.20%	\$1,691	0.20%	\$1,786	0.20%

Notes:

1. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
2. FY 2013 data will not be available until April 2014; therefore, the rates shown are targets.
3. Total benefit payments for FYs 2013-2015 are estimates consistent with projections in the mid-session review for the President's FY 2014 Budget.

Major Causes of OASDI Improper Payments

Table 3 lists the major causes of improper payments (overpayments and underpayments) in the OASDI program using OMB’s three categories of error:

Table 3: Major Causes of OASDI Improper Payments in FY 2012		
	% of Improper Payments	Major Types of Errors
Verification and Local Administration Errors	67%	Non-verification of earnings, income, or work status (e.g., in relation to substantial gainful activity (SGA) and Government Pension Offset (GPO)); inputting, classifying, or processing applications or payments incorrectly
Administrative and Documentation Errors	28%	Incorrect computations, onset dates, and earnings history
Authentication and Medical Necessity Errors	5%	Relationship/dependency errors and failure to report cessation of full-time attendance for students

Notes:

Beginning in 2009, OMB requires us to categorize improper payments in our programs into one of three categories as defined below:

- **Verification and Local Administration Errors** are those 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.
- **Administrative and Documentation Errors** are those due to the lack of all 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 those due to being unable to authenticate criteria such as living arrangements or incorrectly assessing the necessity of a medical procedure.

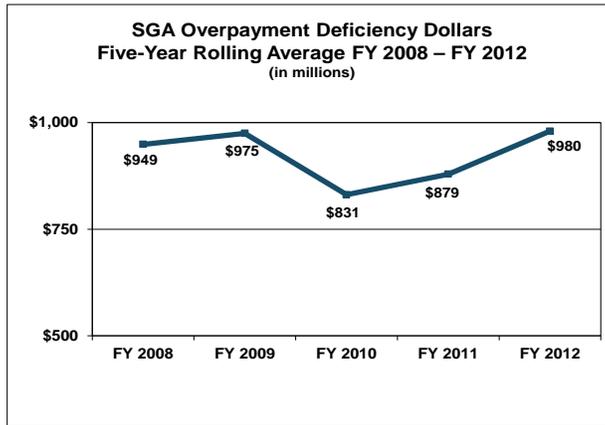
Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are administrative errors or beneficiary reporting failures in SGA and errors in computations. The major cause of underpayments is errors in computations. (Note: [A definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html.](http://www.socialsecurity.gov/oact/cola/sga.html))

Substantial Gainful Activity

Description:

When disability beneficiaries work, a number of factors determine whether they can continue to receive monthly benefits. Improper payments occur when beneficiaries fail to report earnings timely, or we do not take the proper actions to process work reports. The following chart shows the five-year rolling average of SGA overpayment deficiency dollars.

Historical Figures:



Corrective Actions:

Table 4 shows our actions to ensure timely processing of beneficiaries' earnings:

Table 4: SGA – Corrective Actions		
Description	Target Completion	Status
<u>Audit Recommendation</u>		
To minimize improper payments, we agreed with an audit recommendation to make it a priority to identify cases where the disability payments have not been terminated following medical cessation determinations.	Ongoing	We are currently reviewing cases to determine the scope of the issue and the feasibility of the recommendation.
<u>Predictive Model</u>		
We conducted the Continuing Disability Reviews (CDR) Enforcement Operation Predictive Model Pilot.	Completed May 2013	We developed a statistical predictive model that identifies beneficiaries who are at risk of receiving large earnings-related overpayments. The pilot operated October 2010 through May 2013. The predictive model helped us prioritize staff resources and reduced the amount of work-related overpayments.
We nationally implemented the CDR Enforcement Operation Predictive Model.	December 2013	After successful completion of the pilot (above), we nationally implemented the model to prioritize review of earnings for beneficiaries who are at risk of receiving an overpayment due to work activity. We will monitor the first 120 days of processing, and we expect the initial evaluation results in December 2013.

Table 4: SGA – Corrective Actions		
Description	Target Completion	Status
We are conducting a pilot to delay the Automated Earnings Reappraisal Operation (AERO) for cases with a pending work CDR. We are testing a new process to delay the benefit increase, which we may later determine to be an overpayment, resulting from an AERO, for a sample of disability beneficiaries with a pending work CDR. Our goal is to prioritize and review cases with unreported earnings before we compute and issue any benefit increase.	Ongoing	We used our predictive model to identify nearly 11,000 cases eligible for a benefit increase and delayed the AERO increase for 6 months. The first test of the pilot in October 2012 was a success. We continued the pilot by drawing a new sample in October 2013, and we will analyze the data in April 2014.
<u>Legislative Proposal</u>		
The President's FY 2014 Budget includes a proposal that will establish and broaden the DI demonstration authority that expired for projects initiated on or after December 18, 2005. This authority will allow us to use OASDI, Federal Hospital Insurance, and Federal Supplementary Medical Insurance Trust Fund monies to conduct various demonstration projects. In addition to new authority to test early interventions, we will be able to test improvements in our return-to-work rules subject to rigorous evaluation protocols. Simplifying the treatment of beneficiaries' earnings has the potential to eliminate current barriers to employment and reduce improper payments.	Pending	No Congressional action to date.

Table 4: SGA – Corrective Actions		
Description	Target Completion	Status
The President’s FY 2014 Budget includes a proposal that will restructure the wage-reporting process by requiring employers to report wages quarterly instead of annually. The proposal will not affect reporting on self-employment. Increasing the timeliness of wage reporting can enhance tax administration and improve program integrity for our OASDI and SSI programs.	Pending	No Congressional action to date.

Computations

Description:

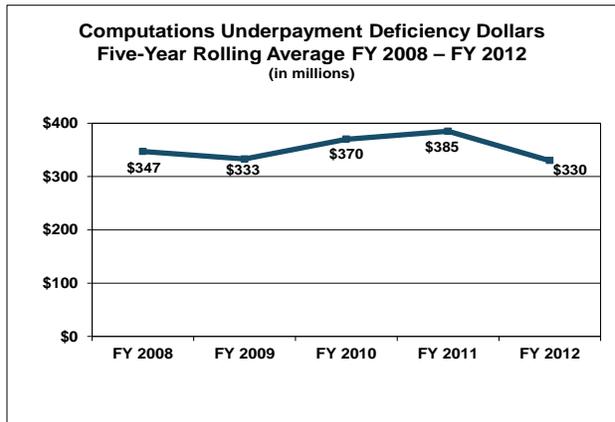
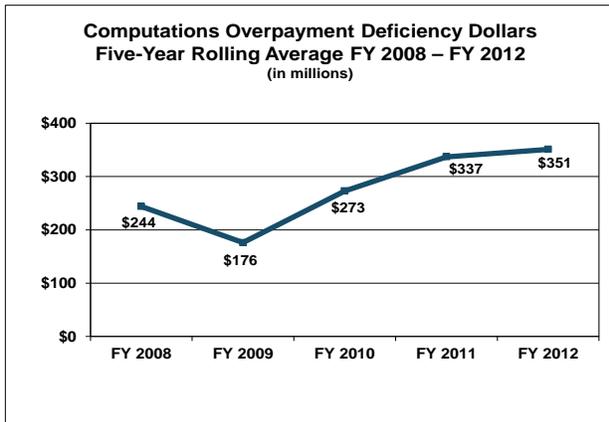
Errors in computations are a major cause of both overpayments and underpayments.

The law requires us to base a person’s benefit amount on a number of factors, including age, earnings history, and the type of benefit awarded.

Inaccurate information or administrative mistakes can cause errors in calculating benefits. For FYs 2008-2012, approximately 52 percent of the computation errors resulted in overpayments, with the leading causes being the Windfall Elimination Provision (WEP) and the failure to apply the Retirement Insurance Benefit Limitation (RIB-LIM), when applicable. (Note: [A definition of WEP is available at: www.socialsecurity.gov/pubs/10045.html](http://www.socialsecurity.gov/pubs/10045.html). RIB-LIM applies when a deceased beneficiary received a reduced retirement benefit. Under RIB-LIM, the maximum surviving spouse or surviving divorced spouse’s benefit is limited to what the deceased beneficiary would receive if he or she were still alive.)

Approximately 48 percent of computation errors from FYs 2008-2012 resulted in underpayments. The leading causes of underpayments are the miscalculation of the initial benefit amount and errors in recalculating benefits due to updated or new information received after our initial calculation of an individual’s benefit amount.

Historical Figures:



Corrective Actions

Increase Post-Entitlement Accuracy

Recent studies indicate that accuracy can be improved in the areas of processing OASDI work CDRs and other changes to a beneficiary’s record after they are already entitled to benefits. An internal workgroup is identifying workflow adjustments, policy changes, training, and automation solutions to improve post-entitlement accuracy.

Our studies also show that we sometimes overlook potential entitlements (i.e., entitlement to benefits other than the one an individual is applying for or receiving). In FY 2013, we began to address four potential entitlement workloads. By addressing post-entitlement accuracy and identifying potential entitlements, we will reduce improper overpayments and underpayments.

Table 5 shows our actions to increase our post-entitlement accuracy:

Table 5: Increase Post-Entitlement Accuracy		
Description	Target Completion	Status
Better define the OASDI systems alert, exception, and processing limitation codes to give technicians more precise information on actions needed.	To be determined by results of planning.	Planning will begin in FY 2014.
Introduce an inline quality review in our processing centers.	March 2014	We began implementing the inline quality review process in our processing centers in June 2013, and we should complete implementation in March 2014.
Pursue potential entitlement workloads.	Completed September 2013 FY 2014	<p>We evaluated results of the following initiative:</p> <ul style="list-style-type: none"> • Veteran Pension Case Referrals: We screen and refer to the U.S. Department of Veterans Affairs those SSI recipients who may be eligible for veteran pension benefits. <ul style="list-style-type: none"> ○ Of 4,216 cases identified for possible referral, we referred 3,263 (77%). <p>In FY 2014, we will evaluate the following initiatives:</p> <ul style="list-style-type: none"> • Outstanding Potential Entitlement Referral Account Cases: These are cases involving SSI recipients who are potentially entitled to DI benefits. • Military Service AERO Fall Out Cases: This workload represents priority cases that could not process through the automated AERO process. • Widows with potential entitlement from another marriage.

Improper Payments in the SSI Program

Experience and Outlook

Table 6 shows the improper payment rates for the SSI program for FYs 2010, 2011, and 2012. We calculate the overpayment rate by dividing overpayment dollars by dollars paid, and the underpayment rate by dividing underpayment dollars by dollars paid.

Table 6: SSI Improper Payments Experience FY 2010 – FY 2012 (dollars in millions)			
	FY 2010	FY 2011	FY 2012
Total Federally Administered Payments			
Dollars	\$50,276	\$51,654	\$53,411
Underpayments			
Dollars	\$1,227	\$947	\$948
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	2.44%	1.83%	1.78%
Overpayments			
Dollars	\$3,344	\$3,791	\$3,387
Target Rate	≤8.40%	≤6.70%	≤5.00%
Actual Rate	6.65%	7.34%	6.34%
Notes:			
<ol style="list-style-type: none"> 1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays. 2. FY 2013 data will not be available until April 2014. 3. The percentages and dollar amounts presented in Table 6 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding. 4. SSI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2010, ±0.66 percent for underpayments and ±1.05 percent for overpayments; for FY 2011, ±0.38 percent for underpayments and ±1.08 percent for overpayments; and for FY 2012, ±0.53 percent for underpayments and ±1.78 percent for overpayments. 			

Other Information

Over the last 5 years (FYs 2008-2012), our stewardship reviews estimate that we paid approximately \$248.7 billion to SSI recipients. Of that total, we estimate \$19.2 billion were overpayments, representing 7.7 percent of outlays. We estimate that underpayments during this same period were \$4.7 billion, the equivalent of 1.9 percent of outlays.

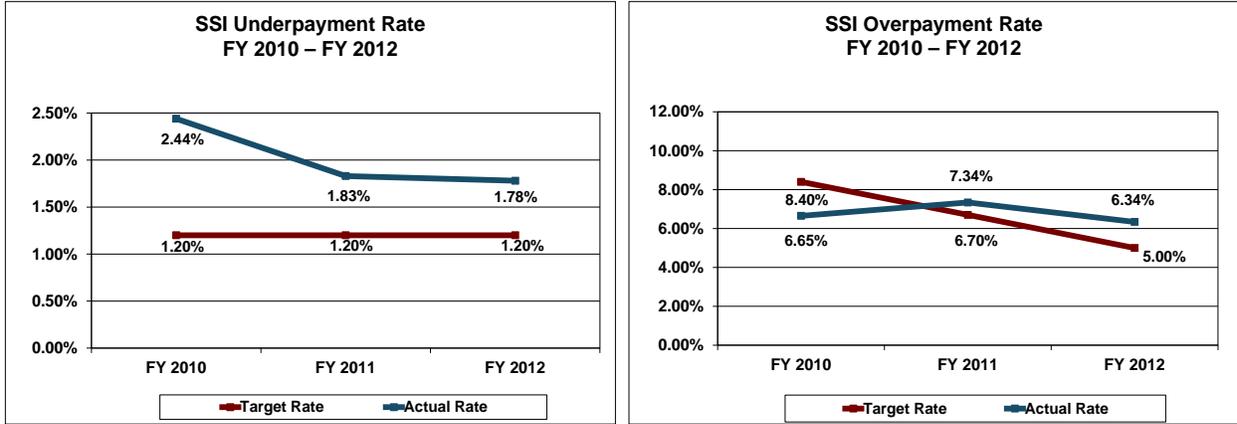


Table 7 shows our target accuracy goals for FYs 2013, 2014, and 2015 for the SSI program.

Table 7: SSI Improper Payments Reduction Outlook FY 2013 – FY 2015 (dollars in millions)						
	2013 Target		2014 Target		2015 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Federally Administered Payments	\$56,156		\$57,908		\$59,654	
Underpayments	\$674	1.20%	\$695	1.20%	\$716	1.20%
Overpayments	\$2,808	5.00%	\$2,895	5.00%	\$2,983	5.00%
Note: 1. Total federally administered SSI payments are estimates consistent with projections in the mid-session review for the President's FY 2014 Budget, adjusted to be presented on a constant 12-month per year payment basis.						

Major Causes of SSI Improper Payments

Table 8 shows major causes of improper payments (overpayments and underpayments) in the SSI program using OMB’s three categories of error.

Table 8: Major Causes of SSI Improper Payments in FY 2012		
	% of Improper Payments	Major Types of Errors
Verification and Local Administration Errors	59%	Detection of unreported financial accounts and wages
Authentication and Medical Necessity Errors	27%	Existence or changes to living arrangements and In-Kind Support and Maintenance (ISM)
Administrative and Documentation Errors	14%	Incorrect computations, misapplication of an income or resource exclusion, and wrong month of change

Notes:

Beginning in 2009, OMB requires us to categorize improper payments in our programs into one of three categories as defined below:

- **Verification and Local Administration Errors** are those 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.
- **Authentication and Medical Necessity Errors** are those due to being unable to authenticate criteria such as living arrangements or incorrectly assessing the necessity of a medical procedure.
- **Administrative and Documentation Errors** are those due to the lack of all supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level.

SSI is a means-tested program for individuals with limited income and resources who are blind, disabled, or aged. This program is complex because fluctuations in monthly income, resources, and living arrangements may affect eligibility and monthly payment amounts. Improper payments often occur if recipients (or their representative payees on their behalf) or deemors (i.e., an individual such as a parent or spouse whose income and resources are considered in determining an applicant’s or recipient’s eligibility and payment) fail to timely report changes in any of these factors (e.g., an increase of their resources or a change in their wages). Failure to report payment changes is the primary cause of both overpayment and underpayment errors.

Our stewardship findings over the last five years show that the major causes of overpayments in the SSI program have been errors or omissions in the following:

- Financial accounts (e.g., bank savings or checking accounts, or credit union accounts);
- Wages; and
- Other real property (i.e., ownership of non-home real property).

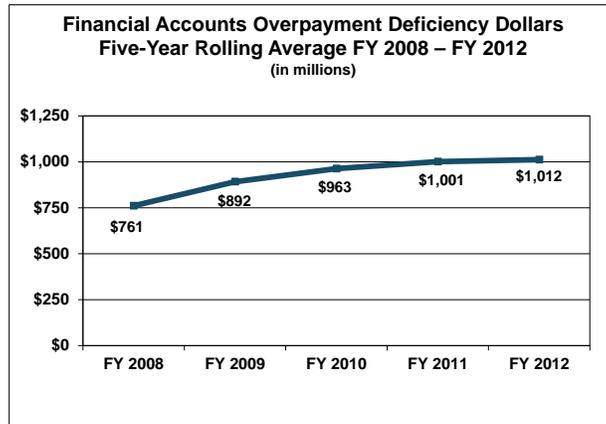
Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in living arrangements, ISM, and wages. Information for the corrective action for living arrangements may be found in the SSI Corrective Actions section for Wages.

Financial Accounts

Description:

Financial accounts with countable resources in excess of the allowable resource limits are the leading cause of SSI overpayment errors. When an applicant or recipient (or his or her parent or spouse) has financial accounts exceeding the allowable resource limits, these accounts may result in periods of SSI ineligibility.

Historical Figures:



Corrective Actions:

To address overpayment errors related to financial accounts, we developed the AFI program. AFI is an electronic process that verifies alleged bank account balances with financial institutions to identify excess resources in financial accounts held by SSI applicants, recipients, and deemors. In addition to verifying alleged accounts, AFI detects undisclosed accounts by searching for accounts in financial institutions located near the SSI applicant, recipient, or deemor.

We will reduce SSI improper payments resulting from excess financial resources by using the AFI process on all initial claims and redeterminations (i.e., review a recipient’s non-medical eligibility factors such as income and resources to determine continued eligibility and payment amount) and conducting up to 10 searches per individual for undisclosed accounts.

Table 9 shows our actions to reduce errors related to financial accounts:

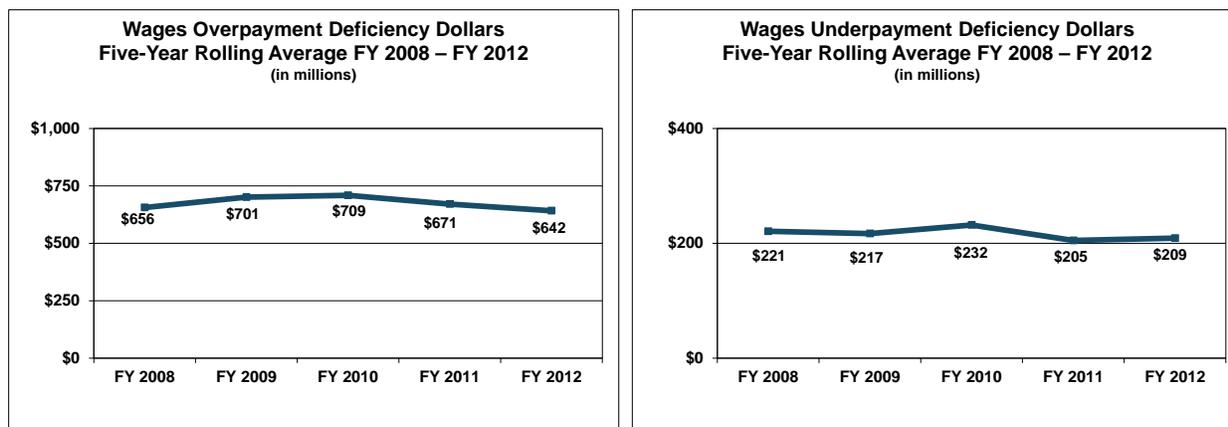
Table 9: Financial Accounts – Corrective Actions		
Description	Target Completion	Status
Expand use of AFI and increase the number of undisclosed bank account searches.	Completed October 2013	Based upon a return-on-investment analysis, we committed resources to use AFI in more SSI applications and redeterminations to verify financial accounts. We further lowered the AFI threshold to verify liquid financial resources and increase undisclosed bank account searches.
Begin the next five-year AFI vendor contract.	June 2015	The current five-year AFI vendor contract expires June 2015. We will develop the statement of work and award for the next contract.

Wages

Description:

For more than a decade, wage discrepancies have been one of the leading causes of overpayment and underpayment errors. Wage discrepancies occur when the recipient (or his or her parent or spouse) has actual wages that differ from the wage amount used to calculate the SSI payment.

Historical Figures:



Corrective Actions:

We rely on individuals to timely self-report wages to us, but from experience, we know that they may fail to report, or fail to report soon enough to prevent an improper payment. Instead of relying solely on self-reporting, we are exploring using wage information we receive from other sources for timely and accurate wage reports. As part of the SSI application process, we will request that applicants for SSI provide their consent for us to obtain information from other sources. We will modify our policy and supporting operating process to allow the use of wage information we obtain from those sources. We will automate the process of obtaining wage information and adding wage information to our systems, thereby conserving administrative resources and reducing improper payments.

We are also developing several new communication initiatives to help encourage recipients not only to remember to report events that can affect eligibility or payment amounts, such as changes in living arrangements, but also to make it easier for them to comply with reporting requirements. For example, we created two new educational resources to be given out in field offices during claims and redeterminations:

- A two-pocket folder – The folder includes panels that list the SSI reporting requirements and pockets to store key documents such as wage stubs or other materials to help people report accurately.
- A business card – This small card contains information on the reporting requirements and can be kept in a wallet or with other important papers.

Other examples of our corrective actions to address the root causes of wage-related errors include options for recipients (or representative payees on their behalf) or their deemors to self-report wages via telephone or a smartphone application. Beginning October 2013, recipients, representative payees, and deemors were able to report prior monthly wage amounts anytime during the current month.

- SSI Telephone Wage Reporting System (SSITWR)

In FY 2008, we implemented SSITWR, which allows recipients, representative payees, and deemors to report prior monthly gross wages via an automated telephone system. SSITWR ensures the wage amounts

Other Information

are timely recorded to the individual’s record. Over 44,000 SSITWR reports were processed successfully in September 2013, surpassing our FY 2013 goal of 38,510 monthly reports.

- **SSI Mobile Wage Reporting Smartphone Application**

Beginning in December 2012, 50 field offices across all 10 regions began a pilot project for mobile wage reporting. This initiative allows SSI recipients, representative payees, and deemors to use their smartphones to report prior monthly gross wages, using an application they can download at no cost from the Google Play and Apple App stores. The initial pilot was successful, and we expanded it to 263 participating field offices in March 2013. The expanded phase of the pilot has also been successful, with more than 9,000 wage reports submitted using the smartphone application during the entire pilot.

We rolled out the initiative nationally on August 1, 2013, following the release of some minor system improvements made as the result of feedback received during the pilot. We received over 5,100 successful wage reports made through the smartphone application in September 2013.

Table 10 shows our actions to reduce errors related to wages:

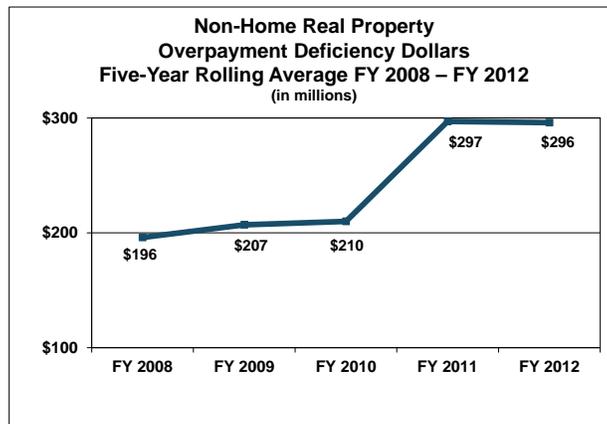
Table 10: Wages – Corrective Actions		
Description	Target Completion	Status
Implement automated reporting of wage information from a national payroll provider(s).	To be determined by results of planning.	We will begin planning in FY 2014.

Other Real Property

Description:

Undisclosed non-home real property is a leading cause of improper overpayments in the SSI program. SSI ineligibility may result if the recipient is the owner of real property other than his or her principal place of residence, and the value exceeds the resource limit. We intend our corrective actions discussed on the following page to identify undisclosed property owned by the recipient.

Historical Figures:



Corrective Actions:

FY 2012 stewardship review findings indicate non-home real property remains the third leading cause of SSI overpayments. We currently rely on the applicant or recipient to report ownership of non-residential property. However, property information for all 50 states is available through commercial data providers (e.g., *LexisNexis/Accurint*). We projected about \$296 million in SSI overpayments related to the ownership of non-home real property.

Table 11 shows our actions to reduce errors related to non-home real property:

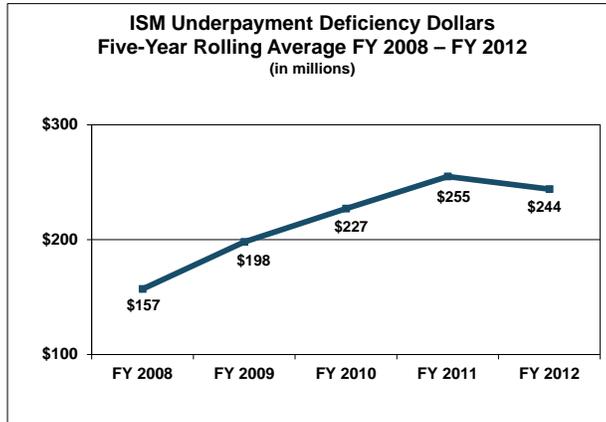
Table 11: Other Real Property – Corrective Actions		
Description	Target Completion	Status
Test in 100 field offices to determine the cost benefit of using <i>LexisNexis/Accurint</i> during initial claims interviews to identify real property owned by applicants or deemors that result in ineligibility for SSI.	FY 2014	We screened over 20,000 initial SSI claims against <i>LexisNexis/Accurint</i> . We are currently analyzing the data to determine the cost benefit of using <i>LexisNexis/Accurint</i> , including the number of improper payments prevented and the task times.
Test in the same 100 field offices to determine the potential for an automated non-home real property identification process for redeterminations. If successful, develop a tool to streamline the search process and pursue systems integration.	FY 2014	We expect to begin phase two of the study, which will target redeterminations, in December 2013.

In-Kind Support and Maintenance

Description:

ISM is unearned income in the form of food or shelter received, with underpayments occurring when the recipient’s ISM amount is less than the amount used to calculate his or her monthly payment. Studies show that many of the errors attributed to ISM are due to the complexity of the statutory policies for the program. These policies are difficult for SSI recipients to understand, making it problematic for them to report changes in a timely manner.

Historical Figures:



Corrective Actions:

Table 12 shows our actions to reduce errors stemming from ISM:

Table 12: ISM – Corrective Actions		
Description	Target Completion	Status
<u>Statutory, Regulatory, Policy and Procedure Review</u>		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	As a result of our reviews, we issue periodic reminders and policy clarifications, as needed. We will continue to work with Congress and other stakeholders to identify possible statutory/regulatory changes.

Efforts to Reduce Fraud, Waste, and Abuse in the OASDI and SSI Programs

The following key initiatives enhance our program integrity efforts. By improving our death data processing, we will ensure that our death information is in agreement, thereby preventing erroneous payments. We are revising our administrative sanctions policy to ensure that we consistently apply sanctions throughout our programs, which will enable us to better address fraud.

Death Reports

Description

Current systems limitations prevent some death data from processing effectively and sharing information between our Numident database and programmatic systems. The Numident is our electronic database of our records of Social Security numbers assigned since 1936. We have three projects to address these problems:

- Establish a unique termination code for beneficiaries age 115 and over who have been in long-term payment suspense;
- Conduct an ongoing monthly comparison to ensure deaths recorded on the Numident are also recorded in our programmatic systems; and
- Perform a large-scale redesign of our death processing system to eliminate the causes of incorrect death reporting and share information between our programmatic systems.

Corrective Actions:

Table 13 shows our actions to reduce errors related to death reporting:

Table 13: Death Reports – Corrective Actions		
Description	Target Completion	Status
Terminate records of beneficiaries over 115 years old who are in long-term suspense status.	Completed August 2013	We established a new code in our OASDI programmatic system to terminate records for aged individuals in long-term suspense where we did not receive notification of death.
Conduct Numident death match reviews.	Completed June 2013	We released alerts to our field offices to resolve cases where we have death information for an individual on our Numident but the individual continues to receive benefits or will soon receive a payment.
Death Alert, Control, and Update System redesign.	September 2015	Through FY 2014, we will continue planning and developing new web-based screens. In FY 2015, we will centralize and capture all death information in one location and make changes in all systems that receive and use death information.

Administrative Sanctions

To further target fraud in our programs, we developed a strategic initiative focused on imposing administrative sanctions.

Description

Current OASDI beneficiaries or SSI recipients who intentionally misrepresent facts to receive their benefits are subject to administrative sanctions punishable by suspension of their benefits for 6, 12, or 24 months. We are implementing a new process to ensure that field office staffs consistently apply administrative sanctions in a manner that curbs fraudulent behavior, helps to reduce improper payments, and preserves the public’s trust in our programs.

Corrective Actions:

Table 14 shows our actions to reduce errors by imposing administrative sanctions:

Table 14: Administrative Sanctions – Corrective Actions		
Description	Target Completion	Status
Implement the new administrative sanctions business process nationally.	Completed September 2013	We published instructions and conducted an interactive video training session for all field office staff.
Evaluate the effectiveness of the new process once we have implemented it nationally.	March 2014	Pending

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

In addition to our efforts to prevent and detect improper payments, we also have a comprehensive debt collection program. We collected \$3.46 billion in OASDI and SSI benefit overpayments in FY 2013 at an administrative cost of \$0.07 for every dollar collected. We collected \$16.12 billion over a five-year period (FYs 2009-2013). Since 2004, our cumulative recoveries are \$27.66 billion for OASDI and SSI benefit overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and followup), as well as the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

We suspend or terminate collection activity in accordance with the authority granted by the United States Code and the Federal Claims Collection Standards. Generally, we terminate or suspend collection action when the debtor cannot repay, we are unable to locate the debtor, or the cost of collection is likely to be more than the amount recovered. Terminating collection action is a temporary or conditional write-off in that the debt remains on the debtor’s record. If the debtor becomes entitled to benefits in the future, we will collect the debt by appropriate and available methods.

From 1992 through September 2013, our external collection techniques have yielded \$4.713 billion in benefit overpayment recovery. Table 16 provides a description of each of our external collection techniques and a summary of the results.

We developed a system to handle the Department of the Treasury's (Treasury) Treasury Offset Program (TOP), credit bureau reporting, and Administrative Wage Garnishment (AWG). Because the system includes more than TOP and is the basis for any future collection interfaces with agencies or entities outside our agency, we call it the External Collection Operation (ECO) system.

In September 2013, we enhanced ECO to collect delinquent debts through Treasury's State Reciprocal Program (SRP). SRP allows States to enter into reciprocal agreements with Treasury to collect unpaid State debt by offset of Federal non-tax payments. In return, the agreements allow the Federal Government to collect delinquent non-tax debt by offset of State payments.

As authorized by Public Law 110-246, in May 2012, we enhanced ECO to collect delinquent debts through TOP beyond the previous 10-year statute of limitations. Through FY 2013, we notified 310,000 former beneficiaries with delinquent debts of 10 years or more of our ability to collect their delinquent debt through TOP.

Continued improvement in other aspects of our debt collection program is underway. As resources permit, we will expand the Non-Entitled Debtors (NED) program and implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value. In addition, we will assess the use of private collection agencies in debt collection.

Collecting Debt

Our improper payments strategy includes focusing on enhancements to improve our OASDI and SSI debt recovery efforts.

Description

Dependent upon promulgation of regulations, we will increase the OASDI monthly minimum repayment amount from \$10.00 to 10 percent of the debtor's monthly benefit payment. This change will increase our recoveries via withholding from benefits, and it will make the minimum recovery rate for OASDI overpayments consistent with the current minimum recovery rate for SSI overpayments. In October 2013, we began notifying debtors of our ability to offset eligible State payments to collect their debt. In addition, to continue to expand our use of TOP, we will:

- Complete notification to all debtors with debts delinquent 10 years or more;
- Implement the required systems enhancements to employ State payment offset through Treasury's SRP; and
- On a monthly basis, continue to notify debtors of our ability to offset eligible State payments to collect their delinquent debt.

These changes also support debt management compliance and performance as required by OMB.

Table 15 shows enhancements to improve our OASDI and SSI debt recovery efforts:

Table 15: Collecting Debt – Corrective Actions		
Description	Target Completion	Status
Publish draft regulations to increase the OASDI monthly minimum repayment amount from \$10 to 10 percent of the debtor's monthly benefit amount.	June 2014	Our Acting Commissioner approved the notice of proposed rule making.
Collect delinquent OASDI and SSI debts through TOP/SRP.	September 2015	We implemented the required systems enhancements in 2013. We began sending mandatory due process notification to delinquent debtors in October 2013.
Complete notification to debtors for delinquent debts 10 years or older for possible use of TOP to recover the debts.	February 2014	We are on target to complete debtor notifications by February 2014.

Other Information

Table 16 shows the external collection techniques we use to recover OASDI and SSI overpayments:

Table 16: Cumulative Programmatic Debt Recovery Methods Through FY 2013 (dollars in billions)					
Recovery Method	Inception	Description	OASDI	SSI	TOTAL
TOP	1992	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal Salary Offset. We collected \$195.3 million in FY 2013 through this initiative.	\$1.427	\$0.926	\$2.353
Credit Bureau Reporting	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to credit bureaus. Credit bureau reporting contributed to the recovery of \$70.8 million in FY 2013.	\$0.457	\$0.329	\$0.786*
Cross Program Recovery	2002	Cross program recovery collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments. We collected \$144.0 million** through cross program recovery in FY 2013.	\$0.177	\$0.814	\$0.991
NED	2005	NED is an automated system used to control recovery activity for debtors who are not entitled to benefits (e.g., representative payees who receive payments after the death of a beneficiary). We used NED to recover \$3.6 million in FY 2013.	\$0.029	N/A	\$0.029***
AWG	2005	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable pay. We collected \$19.0 million through this process in FY 2013.	\$0.110	\$0.022	\$0.132
Automatic Netting SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" \$124.0 million in FY 2013.	N/A	\$1.237	\$1.237
Total			\$1.714	\$2.999	\$4.713
<p>Notes:</p> <p>*Credit bureau reporting is a subset of TOP collections.</p> <p>**The cross program recovery total for FY 2013 includes all cross program recoveries; however, the cumulative cross program recovery totals include only those totals we can track since inception.</p> <p>***NED is a subset of TOP and AWG collections.</p>					

Refer to the Debt Management section of this *Agency Financial Report* for information on our programmatic and administrative debt activity.

Payment Recapture Audit Program: Benefit Payments

For our OASDI and SSI benefit payments, we meet the payment recapture audit requirements of IPERA through existing program integrity efforts. We have a multi-pronged approach to conducting payment recapture audits for our OASDI and SSI programs. Our employees follow an internal review process to determine OASDI and SSI payment accuracy. We perform stewardship reviews, which measure the accuracy of payments to beneficiaries and recipients. Each month, specialists with extensive expertise in our surveys, benefit programs, business processes, applied statistics and statistical models, and business analytics conduct our stewardship reviews. These employees review a sample of OASDI and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility and payment amount for the review period. We use these data to identify payment accuracy as well as our strengths and weaknesses, which allows us to target our resources to take corrective actions that yield the highest return on investment.

In our field offices, processing centers, and State disability determination services (DDS) operational areas, employees conduct reviews for ongoing eligibility. Medical CDRs are periodic reevaluations to determine if beneficiaries still meet our definition of disability. A work CDR is a review of the eligibility requirements regarding a DI beneficiary's ability to perform SGA. SSI redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources. Our statistical predictive models help us prioritize the CDRs and redeterminations we work annually. We first work those CDRs and redeterminations that will likely result in the greatest savings. Please see the section of this improper payments report titled, *Agency Efforts to Reduce Improper Payments, Human Capital to Support Improper Payment Workloads*, for information on savings.

CDRs and SSI redeterminations are our most effective payment recapture program integrity activities to identify cases where we should discontinue benefit payments. To support CDRs and redeterminations, we specifically request funding through the normal budget process, and the number of CDRs and redeterminations we can conduct each year depends on the level of resources appropriated to the agency.

Payment Recapture Audit Reporting

OMB Circular No. A-136, *Financial Reporting Requirements*, requires agencies that have programs or activities that are susceptible to significant improper payments to report on their payment recapture audit activities. For our OASDI and SSI benefit payments, we are unable to segregate our improper payments from our total overpayment universe. Not all overpayments are improper. Certain overpayments are unavoidable and not improper if the payment is required by statute, regulation, or court order, such as continued payments required by due process procedures. Tables 17-19 show our OASDI and SSI overpayment experience, inclusive of improper payments.

**Table 17: FY 2013 Payment Recapture Audit Reporting
Benefit Payments¹**
(dollars in millions)

Type of Payment	OASDI	SSI
Amount Subject to Review for Current Year (CY) Reporting ²	\$10,991.7	\$9,858.6
Actual Amount Reviewed and Reported CY ²	\$10,991.7	\$9,858.6
Amount Identified for Recovery CY ²	\$10,991.7	\$9,858.6
Amount Recovered CY ³	\$2,283.7	\$1,176.1
Percent of Amount Recovered Out of Amount Identified CY	21%	12%
Amount Outstanding CY ⁴	\$8,708.0	\$8,682.5
Percent of Amount Outstanding Out of Amount Identified CY	79%	88%
Amount Determined Not to be Collectable CY ⁵	\$551.3	\$394.4
Percent of Amount Determined Not to be Collectable Out of Amount Identified CY	5%	4%
Amounts Identified for Recovery Prior Years (PY) ⁶	\$8,272.2	\$7,772.6
Amounts Recovered PYs ³	\$2,283.7	\$1,176.1
Cumulative Amounts Identified for Recovery (CY + PYs) ²	\$10,991.7	\$9,858.6
Cumulative Amounts Recovered (CY + PYs) ³	\$2,283.7	\$1,176.1
Cumulative Amounts Outstanding (CY + PYs) ⁷	\$8,708.0	\$8,682.5
Cumulative Amounts Determined Not to be Collectable (CY + PYs) ⁵	\$551.3	\$394.4

Notes:

1. This table comprises all identified and recovered benefit program overpayments for the specified fiscal year. Overpayments identified or recovered in a specified year include debt that was established in prior years.
2. The amounts reported are debt available for recovery in the specified fiscal year. These amounts include debts identified in previous fiscal years that have not been recovered or are determined to be uncollectible. Debts identified in FY 2013 were \$2,719.6 million for OASDI and \$2,086.0 million for SSI.
3. The amounts reported are FY 2013 recoveries from debt we had available for recovery in FY 2013, which include debts identified in PYs.
4. The amounts reported equal the "Amount Identified for Recovery CY" minus the "Amount Recovered CY."
5. The amounts reported are uncollectible debt in the CY and include debts identified in PYs.
6. The amounts reported are outstanding debt we had available for recovery prior to the CY, which include debts identified in PYs.
7. The amounts reported equal the "Cumulative Amounts Identified for Recovery (CY + PYs)" minus the "Cumulative Amounts Recovered (CY + PYs)."

Program Recovery Targets

IPERA guidance requires that agencies establish annual targets for their payment recapture audit programs that will drive their annual performance. The targets represent the rate of recovery (i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified). Our payment recapture recovery targets for FYs 2014-2016 are based on our FY 2013 experience. For several reasons, we will not achieve OMB's annual payment recapture target rate of 85 percent. The current budgetary environment affects our ability to address all of

Other Information

our workloads, including pursuit of benefit overpayments. Due to budget reductions, we have imposed an agency-wide hiring freeze. At the same time, we are losing subject matter experts due to retirement. Consequently, we must prioritize the use of our resources with the demands of our workloads.

Factors beyond our control also affect our payment recapture recovery targets. For example, the state of the economy has an impact on availability of employment. When jobs are plentiful and former OASDI beneficiaries and SSI recipients are working, we generally experience greater collections from our external debt collection tools.

Table 18: FY 2013 Payment Recapture Audit Targets Benefit Payments (dollars in millions)						
Type of Payment	FY 2013 Amount Identified	FY 2013 Amount Recovered	FY 2013 Recovery Rate (Amount Recovered/ Amount Identified)	FY 2014 Recovery Rate Target	FY 2015 Recovery Rate Target	FY 2016 Recovery Rate Target
OASDI	\$10,991.7	\$2,283.7	21%	21%	21%	21%
SSI	\$9,858.6	\$1,176.1	12%	12%	12%	12%

Note:

- The recovery rate target is based on FY 2013 and prior years' experience and the anticipated growth of our benefit payments in FYs 2014-2016.

Table 19: FY 2013 Aging of Outstanding Overpayments Benefit Payments (dollars in millions)			
Type of Payment	FY 2013 Amount Outstanding (0 to 6 Months)	FY 2013 Amount Outstanding (6 Months to 1 Year)	FY 2013 Amount Outstanding (Over 1 Year)
OASDI	\$722.2	\$331.8	\$1,395.0
SSI	\$555.4	\$337.2	\$2,434.5

Note:

- The aging of outstanding overpayments begins when the overpayment is delinquent, generally when no voluntary payment has been made 30 days after the latest of the following dates:
 - The debt was established on our system for OASDI;
 - The initial overpayment notice for a debt established on the SSI system;
 - The last voluntary payment;
 - An installment arrangement;
 - A decision on an individual's request to reconsider the existence of the overpayment; or
 - A waiver denial.

Improper Administrative Payments

We evaluated our FY 2012 administrative expenses and determined they were not susceptible to significant improper payments as defined by IPIA.

Risk Assessment

IPERA requires agencies to review administrative payments as part of their annual risk assessment process. If these risk assessments determine that payments are susceptible to significant improper payments, agencies are required to establish an annual improper payment measurement related to administrative payments.

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

Table 20: FY 2012 Administrative Expenses (dollars in millions)	
Payroll and Benefits	\$6,422
State DDS	\$2,076
<i>American Recovery and Reinvestment Act</i>	\$29
Other Administrative Expenses*	\$3,069
Total Administrative Expenses	\$11,596
<p>Note:</p> <p>*Other Administrative Expenses includes vendor, 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, interest and dividends, and insurance claims and indemnities.</p>	

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

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

We demonstrate that, other than what is required in our annual *Agency Financial Report*, our administrative payments do not meet the criteria for further improper payment reporting to Congress or OMB.

Statistical Sampling

For FY 2012, the internal recovery audit program included a review of \$1.468 billion in vendor and employee travel payments out of \$1.735 billion subject to review. We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Incomplete cost-type contracts where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and conditions of the contract; and
- Cost-type contracts that were subjected to final contract audit and completed prior to payment of the contractor's final invoice.

We identified total improper overpayments of \$1.159 million, approximately 0.07 percent of total payments subject to review. As of the end of FY 2012, almost \$304,200 remained uncollected, which included amounts identified for recovery in prior years. The remaining receivable balance reflected the timing of when we issued the request for overpayment refund. We consider all vendor and travel overpayments 100 percent collectible. We return all amounts recovered to the original appropriation from which the overpayment was made.

Although the number and amount of overpayments are minimal and immaterial, incorrect amounts paid (including duplicate payments) are the primary cause of vendor overpayments. To ensure identification and recovery of these payments, we designed, developed, and deployed a predictive analytics program to detect and recover these improper payments. Additionally, we developed and implemented internal controls to minimize improper payments.

Payroll and benefits account for a majority of total administrative expenses. For FY 2012, we found approximately \$4.6 million in improper payroll overpayments out of \$6,422 million total payroll payments, which yielded a 0.07 percent improper overpayment rate.

Major Causes

The major causes of improper administrative payments (overpayments and underpayments) include:

- Incorrect amounts paid (including duplicate payments); and
- Time and attendance records processed before actual data are available. To ensure that we pay our employees timely, several times a year our business processes (e.g., operational and systems processing schedules) require that we process employees' time and attendance records before actual data are available (i.e., early payroll close out). Subsequently, this action can result in an improper payment.

Corrective actions include:

- To prevent paying incorrect amounts (including duplicate payments), we enhanced the Case Processing and Management System (CPMS) to process administrative payments. CPMS electronically transmits obligations (e.g., call order) and invoice information (e.g., total amount of invoice, invoice number, and vendor information) from hearing offices directly into our centralized accounting system. This system transmits an invoice electronically against each obligation only once for goods and services (e.g., testimony from medical or vocational experts and verbatim hearing reporter services), allowing a vendor to be paid only for services recorded and certified in CPMS. We fully implemented the CPMS enhancement in all hearing offices and National Hearing Centers by December 2012; and
- We addressed improper payments caused by early processing of our time and attendance records as follows:
 - Personnel, including employees, timekeepers, and certifiers, identify corrective actions the following pay period; and
 - Timekeepers are then responsible for recording the appropriate adjustments in our Time and Attendance System.

Payment Recapture Audit Program: Administrative Payments

To further strengthen our internal controls, in FY 2012, we awarded a contract to a vendor to perform a payment recapture audit of our administrative payments.

This contract required the examination of our administrative payment processes to identify overpayments made during FYs 2008-2010. The contractor:

- Identified funds lost due to overpayments;

- Defined the reason for the overpayment;
- Notified us of any overpayments identified; and
- Developed recommendations for preventing future overpayments.

The auditors completed the payment recapture audit on August 5, 2013. Out of \$23,282 million in payments reviewed, the auditors identified, and we confirmed through October 2013, improper payments totaling almost \$28,000. We continue to review the auditors' findings to verify the improper payment amounts, and we expect to complete our review by December 2013. We will report on our corrective actions to verified improper payments in next year's *Improper Payments Information Detailed Report*. At that time, we will also report on the status of any recaptured funds.

In addition to the external audit, we use an existing in-house recovery audit program for vendor and employee travel payments that contains a number of tools to aid in the detection and recovery of improper overpayments, including:

- An automated query system to identify duplicate payments made to the same vendor, with the same invoice date, and for the same amount;
- A report to identify duplicate payments made through the third-party draft payment system and the accounts payable system; and
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

According to OMB guidance, reviewing payments to employees to identify improper payments is optional. However, because our payroll and benefits account for a major portion of our administrative costs, we conduct annual payment accuracy reviews. Results from the audit program and quality review process continue to confirm our administrative payments are well below the OMB threshold for reporting improper payments.

Administrative Payment Recapture Audit Reporting

Tables 21-23 show the results from our annual payment accuracy reviews for our administrative payments.

Table 21: FY 2012 Payment Recapture Audit Reporting Administrative Payments (dollars in millions)		
Type of Payment	Payroll and Benefits	Vendor and Travel
Amount Subject to Review for CY Reporting	\$6,422	\$1,735
Actual Amount Reviewed and Reported CY	\$6,422	\$1,468
Amount Identified for Recovery CY	\$4,564	\$1,159
Amount Recovered CY	\$1,772	\$1,071
Percent of Amount Recovered Out of Amount Identified CY	39%	92%
Amount Outstanding CY	\$2,792	\$0.088
Percent of Amount Outstanding Out of Amount Identified CY	61%	8%
Amount Determined Not to be Collectable CY	\$1,322	\$0.0
Percent of Amount Determined Not to be Collectable Out of Amount Identified CY	29%	0%
Amounts Identified for Recovery PYs	\$5,744	\$11,929
Amounts Recovered PYs	\$2,954	\$11,624
Cumulative Amounts Identified for Recovery (CY + PYs)	\$10,308	\$13,087
Cumulative Amounts Recovered (CY + PYs)	\$4,726	\$12,783
Cumulative Amounts Outstanding (CY + PYs)	\$5,582	\$0.304
Cumulative Amounts Determined Not to be Collectable (CY + PYs)	\$1,750	\$0.0
<p>Notes:</p> <ol style="list-style-type: none"> 1. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2012 but could have occurred in a prior year. 2. Cumulative Amounts Recovered (CY + PYs) for Vendor and Travel includes \$0.088 million of amounts recovered in the current year for amounts identified in prior years. 3. We may compromise, suspend, or terminate collection activity in accordance with the authority granted by the United States Code and the Federal Claims Collection Standards based on the following criteria: <ul style="list-style-type: none"> • The cost of collection does not justify the enforced collection of the full amount; • The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized; • The debt has been discharged in bankruptcy; or • The debtor has requested a waiver or review of the debt, and the agency determines that such request is credible. 		

Administrative Payments Recovery Targets

Similar to the OASDI and SSI programs, IPERA guidance requires that agencies establish annual targets for administrative payment recapture audit programs. We strive to recover all administrative overpayments, and established a 100 percent target as required by OMB Circular No. A-123, Part II B (3), *Payment Recapture Targets for Audit Programs*. We selected this recovery rate based on our in-house recovery experience for the past three fiscal years. We incur a small amount of administrative overpayments, mainly from former employees and duplicate payments to vendors. We use various tools for collection, including offset of subsequent vendor payments and TOP, which includes AWG.

Table 22: FY 2012 Payment Recapture Audit Targets Administrative Payments (dollars in millions)						
Type of Payment	FY 2012 Amount Identified	FY 2012 Amount Recovered	FY 2012 Recovery Rate (Amount Recovered/ Amount Identified)	FY 2013 Recovery Rate Target	FY 2014 Recovery Rate Target	FY 2015 Recovery Rate Target
Payroll and Benefits	\$4.564	\$1.772	39%	100%	100%	100%
Vendor and Travel	\$1.159	\$1.071	92%	100%	100%	100%
Note:						
1. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2012 but could have occurred in a prior year.						

Table 23: FY 2012 Aging of Outstanding Overpayments Administrative Payments (dollars in millions)			
Type of Payment	FY 2012 Amount Outstanding (0 to 6 Months)	FY 2012 Amount Outstanding (6 Months to 1 Year)	FY 2012 Amount Outstanding (Over 1 Year)
Payroll and Benefits	\$1.127	\$0.684	\$1.204
Vendor and Travel	\$0.024	\$0.063	\$0.217
Note:			
1. The payroll and benefits aging amounts for amounts outstanding over one year only include reductions (collections, write-offs, etc.) through the end of FY 2011.			

Table 24: Administrative Debt Overpayments – Detections and Recoveries (dollars in millions)						
Administrative Debt Overpayments	Amount Identified FY 2013	Amount Recovered FY 2013	Amount Identified FY 2012	Amount Recovered FY 2012	Cumulative Amount Identified FY 2013 and 2012	Cumulative Amount Recovered FY 2013 and 2012
Total	\$1.9	\$1.2	\$2.5	\$1.3	\$4.4	\$2.5

Notes:

1. The totals mainly include identified and recovered overpayments from sources other than our in-house recovery audit program for vendor and employee travel payments and our payment accuracy reviews for payroll and benefits payments, which are discussed in the Payment Recapture Audit Program: Administrative Payments section of this improper payments report.
2. Identified overpayments in a given fiscal year represent identified debt that can span multiple fiscal years.
3. We do not consider every overpayment improper according to the definition contained in IPIA.

Agency Efforts to Reduce Improper Payments

We focus on achieving our goals to reduce improper payments. Below, we address our efforts in the following areas to reduce improper payments:

- Internal controls;
- Human capital to support improper payment workloads;
- Information systems;
- Other infrastructure; and
- Statutory and regulatory barriers.

Internal Controls

We have a well-established, agency-wide management control program as required by the *Federal Managers' Financial Integrity Act*. We accomplish the objectives of the program by:

- Integrating management controls into our business processes and financial management systems at all organizational levels;
- Reviewing our management controls and financial management systems controls on a regular basis; and
- Developing corrective action plans for control weaknesses and monitoring those plans until the weaknesses are corrected.

The effective internal controls we incorporate into our business processes and financial management systems, as well as the program integrity efforts mentioned throughout this report, support the Acting Commissioner's annual statement to the President and Congress on whether our:

- Internal controls over the effectiveness and efficiency of programs and compliance with applicable laws and regulations are operating effectively;
- Financial management systems are in conformance with Government-wide requirements; and

- Internal controls over financial reporting are operating effectively.

We include the Acting Commissioner's annual statement of assurance, additional information on our review program, and our financial statement audit, in the *Systems and Controls* section of this *Agency Financial Report*. In addition, we include the auditor's report in the *Auditor's Reports* section of this *Agency Financial Report*.

Our strong overall internal control program contributes significantly to our efforts to reduce improper payments.

The Disaster Relief Appropriations Act - Hurricane Sandy

The *Disaster Relief Appropriations Act of 2013* (Disaster Relief Act) requires that Federal agencies supporting Hurricane Sandy recovery and other disaster-related activities implement additional internal controls to prevent waste, fraud, and abuse of these funds. The Disaster Relief Act required each Federal agency to submit an internal control plan to OMB, the Government Accountability Office, the agency's Inspector General, and the Committees on Appropriations of the House of Representatives and the Senate by March 31, 2013.

OMB Memorandum M-13-07, *Accountability for Funds Provided by the Disaster Relief Appropriations Act*, provides an overview of the internal control planning and reporting requirements for all programs funded under the Disaster Relief Act, with a focus on the following elements: (1) additional internal controls, (2) improper payments protocol, and (3) recapture of unexpended grant funds 24 months after agency obligation. On March 28, 2013, we submitted our Hurricane Sandy Disaster Relief (HSDR) Internal Control Plan and Risk Assessment. We determined the overall risk level for activities associated with HSDR payments was low, considering our overall control environment and specific control activities to monitor and report HSDR funds. However, the Disaster Relief Act requires us to treat these payments as "susceptible to significant improper payments" for purposes of the IPIA. Accordingly, we are testing 100 percent of the HSDR payment population to ensure we precisely use the Disaster Relief Act funds for their intended purposes.

Human Capital to Support Improper Payment Workloads

For our program integrity reviews, we completed increasing numbers of CDRs and SSI redeterminations between FY 2008 and FY 2012. However, due to budget constraints, we were unable to continue increasing this cost-effective work in FY 2013, and we actually experienced a decline in the number of full medical CDRs completed. In FY 2013, we completed a total of over 428,500 full medical CDRs and over 2.634 million SSI redeterminations. On average, we estimate about \$9 to \$10 in lifetime program savings per dollar we have spent on medical CDRs, including Medicare and Medicaid program effects. We also estimate, on average, about \$5 of net program savings per dollar spent on SSI non-medical redeterminations, with savings from overpayments partly offset from the cost for underpayments. In addition, we completed about 252,900 work CDRs in FY 2013.

Our program integrity work is labor-intensive and dependent on having the necessary trained staff to do the work. The same employees who handle our program integrity work also handle applications for benefits and other mission-critical work. We cannot continue to improve our processes without adequate resources to complete all the work for which we are responsible. Sustained, adequate funding is crucial to providing us with the necessary staff to balance our service and stewardship work and continue to reduce improper payments.

The *Budget Control Act* (Public Law 112-25) includes program integrity initiatives to reduce improper benefit payments under the DI and SSI programs. It allows adjustments to the Government-wide discretionary caps to permit additional appropriations for purposes of conducting CDRs and SSI redeterminations to the extent that such appropriations for program integrity purposes exceed \$273 million a year. For FY 2014, the funding adjustment authorized is \$924 million. If appropriated, the total amount of \$1.197 billion will enable us to complete 764,000 periodic medical CDRs, an increase of nearly 350,000 from our *FY 2013 Operating Plan* target, and continue handling 2.622 million SSI redeterminations, resulting in significant savings of taxpayer dollars.

The President's FY 2014 Budget includes a special legislative proposal that will provide a dependable source of mandatory program integrity funding. The funding will enable us to significantly ramp up our program integrity work and increase our ability to conduct more full medical CDRs, which will help ensure that only those eligible for

OASDI and SSI disability benefits continue to receive them. Based on our assessments of the return on investment from CDRs conducted in FY 2011 and earlier, we estimate that we will achieve significant additional program savings from the President's proposed investment in CDRs. Due to the current budget situation, we are unable to increase our cost-effective program integrity work without additional funding.

Effective FY 2012, as required by IPERA, we are holding managers, program officials, and senior executives accountable for reducing improper payments. For these employees, their annual performance plans reflect their responsibility to support efforts to maintain sufficient internal controls to prevent improper payments, detect and recover improper payments, and meet targets to reduce improper payments.

Information Systems

The Comprehensive Integrity Review Process supports our stewardship responsibility to ensure the accuracy of benefit payments and to protect personal information maintained in our programmatic systems. This process enables us to fulfill our obligation to comply with Federal laws, such as the *Federal Managers' Financial Integrity Act*, which requires that we establish and maintain effective internal controls. The Comprehensive Integrity Review Process automatically selects potentially fraudulent transactions for management investigation based on predefined criteria. The selection criteria focus on potentially fraudulent activity rather than improper payments. However, if the transaction involves an issued payment, the reviewer looks at the accuracy of the payment to ensure that we complied with proper procedures.

Other Infrastructure

As required by law, we conduct preeffectuation reviews (PER) on at least 50 percent of adult initial and reconsideration disability determination allowances made by the State DDSs. We have performed PER reviews on DI cases for many years, and since Public Law 109-171 amending Section 1633(e) (1) of the *Social Security Act* was enacted in February 2006, we have performed PER reviews on 50 percent of the allowances involving SSI adults. We use a predictive statistical model to identify error-prone disability determinations, and we return deficient cases to the State DDSs for corrective action. We estimate that the prevention of incorrect allowances and continuances of FY 2011 cases will result in lifetime savings (after all appeals) of:

- \$439 million in OASDI benefit payments;
- \$80 million in SSI Federal payments;
- \$219 million in Medicare benefits; and
- \$14 million in the Federal share of Medicaid payments.

Statutory and Regulatory Barriers

Our processes, policies, and regulatory and statutory requirements are complicated, which poses challenges in our administration of our programs. To meet the challenges of our growing workloads and provide the best service possible, we continue to streamline our policies and procedures and move more of our business processes to an electronic environment. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. The President's FY 2014 Budget includes several legislative proposals that can help simplify our programs and better identify and prevent improper payments. We discuss some of these proposals in the following paragraphs.

DI Demonstration Authority

This proposal will re-establish and broaden the DI demonstration authority that expired with respect to projects initiated on or after December 18, 2005. This authority allows us to use OASDI, Federal Hospital Insurance, and Federal Supplementary Medical Insurance Trust Fund monies to conduct various demonstration projects. In addition to new authority to test early interventions, we will be able to test improvements in our return-to-work

rules, which are subject to rigorous evaluation protocols. Simplifying the treatment of beneficiaries' earnings has the potential to eliminate current barriers to employment and reduce improper payments.

Windfall Elimination Provision and Government Pension Offset

Under this proposal, we will develop automated data exchanges for States and local governments to submit timely information on pensions based on work not covered by Social Security. The proposal includes funding for the development and implementation of the data exchanges. Receiving this pension information timely will help us avoid improper payments created when we do not know a beneficiary is receiving a pension that makes WEP and GPO applicable.

Workers' Compensation

Under this proposal, we will require States, local governments, private insurers, and other entities that administer Workers' Compensation (WC) and public disability benefits (PDB) to report payment information to us. We will create a standardized reporting format, and develop and implement a system to collect and use the information to offset DI benefits and reduce SSI payments, as necessary. This proposal includes funding for developing and implementing the system. We currently rely on the disabled worker to report receipt of, and any changes to, WC and PDB. The proposed required reporting and a system to receive the information timely are crucial to avoid improper payments that occur when we do not have information about the receipt or amount of WC and PDB payments. Under the proposal, we will also provide pertinent collected information for child support enforcement purposes to the Secretary of the Department of Health and Human Services.

Quarterly Federal Wage Reporting

This proposal will restructure the Federal wage-reporting process by requiring employers to report wages quarterly instead of annually. The proposal will facilitate the implementation of automated enrollment of employees in existing workplace pensions. It may also improve program integrity and help reduce improper payments because more frequent reporting can provide more timely information we can use to administer our programs. Finally, increasing the frequency of wage reporting can enhance tax administration.

Mandatory Program Integrity Funding

This proposal will repeal our discretionary cap adjustments beginning in 2014 and instead, establish a dependable source of mandatory funding for CDRs and SSI redeterminations, thereby ensuring that only those eligible for benefits continue to receive them. CDRs and redeterminations are our most valuable tools to combat improper payments. This proposal will ensure we have the funding necessary to conduct these reviews and reduce our CDR backlog.