Other Information

The *Other Information* section provides information to satisfy additional statutory and Office of Management and Budget reporting requirements.

In accordance with the *Reports Consolidation Act of 2000*, the *IG Statement on SSA's Major Management and Performance Challenges* provides a summary and assessment of the most serious management and performance challenges we face as determined by the Office of the Inspector General (OIG). The OIG also describes the steps we have taken to address each of the challenges.

Next, in *Other Reporting Requirements*, we provide a summary of our financial statement audit and management assurances. We also provide information on our entitlement reviews, the OIG's anti-fraud activities, our biennial review of user fee charges, our actions to comply with the Freeze the Footprint initiative, and our debt management activities.

Finally, the *Other Information* section concludes with the *Improper Payments Information Detailed Report*. In this section, we provide general information demonstrating our commitment to reducing improper payments. We also describe our efforts in reducing improper payments for our Old-Age, Survivors, and Disability Insurance and Supplemental Security Income benefit programs and administrative payments.

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 10, 2014

The Honorable Carolyn W. Colvin
Acting Commissioner

Dear Ms. Colvin:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Inspectors General summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. The *Reports Consolidation Act* also requires that the Social Security Administration (SSA) place the final version of this Statement in its annual *Agency Financial Report*.

In Fiscal Year (FY) 2014, we focused on eight management and performance challenges. One overriding issue of great concern is discussed below, and the other issues are discussed in the attached report.

DISABILITY INSURANCE TRUST FUND SOLVENCY

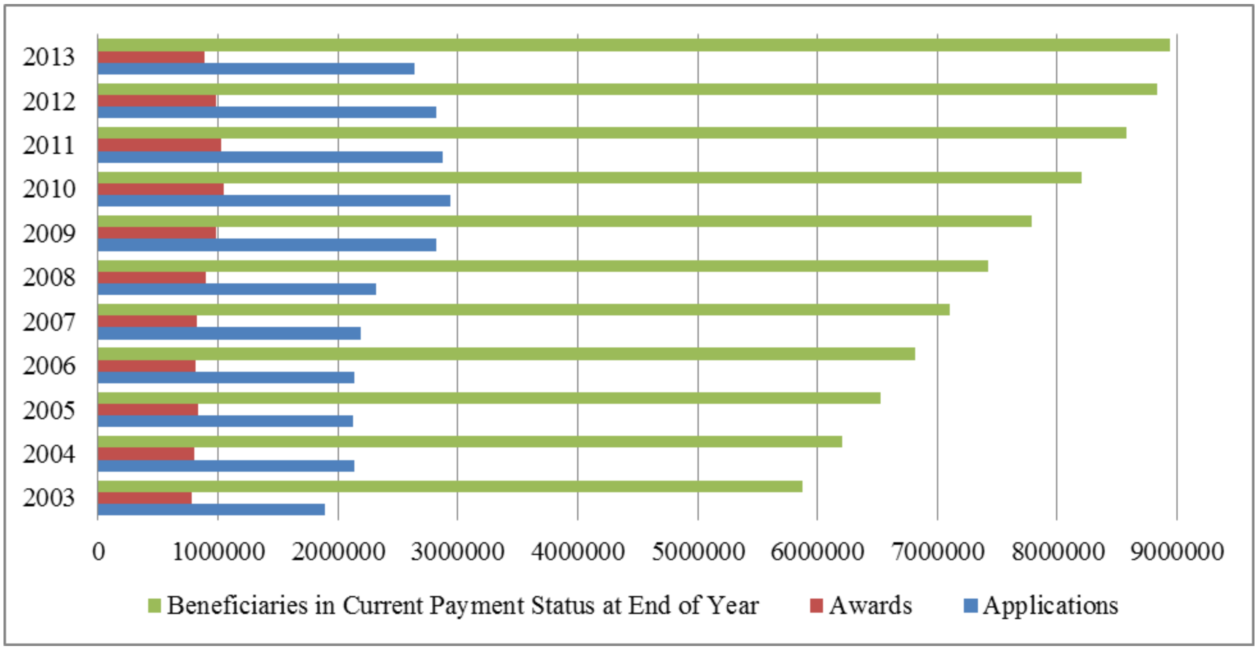
The Board of Trustees of the Social Security Trust Funds' latest Annual Report projected that the reserves of the Disability Insurance (DI) Trust Fund, which have been declining since 2009, will continue declining until they are depleted in 2016. When reserves are depleted, income to the DI Trust Fund would be sufficient to only pay 81 percent of scheduled DI benefits.

Table 1: DI Trust Fund 2009-2013 (in millions)

Calendar Year	Total Receipts	Total Expenditures	Net Increase During Year	Assets at End of Year
2009	109,283	121,506	-12,223	203,550
2010	104,017	127,660	-23,643	179,907
2011	106,276	132,332	-26,056	153,850
2012	109,115	140,299	-31,184	122,666
2013	111,228	143,450	-32,221	90,445

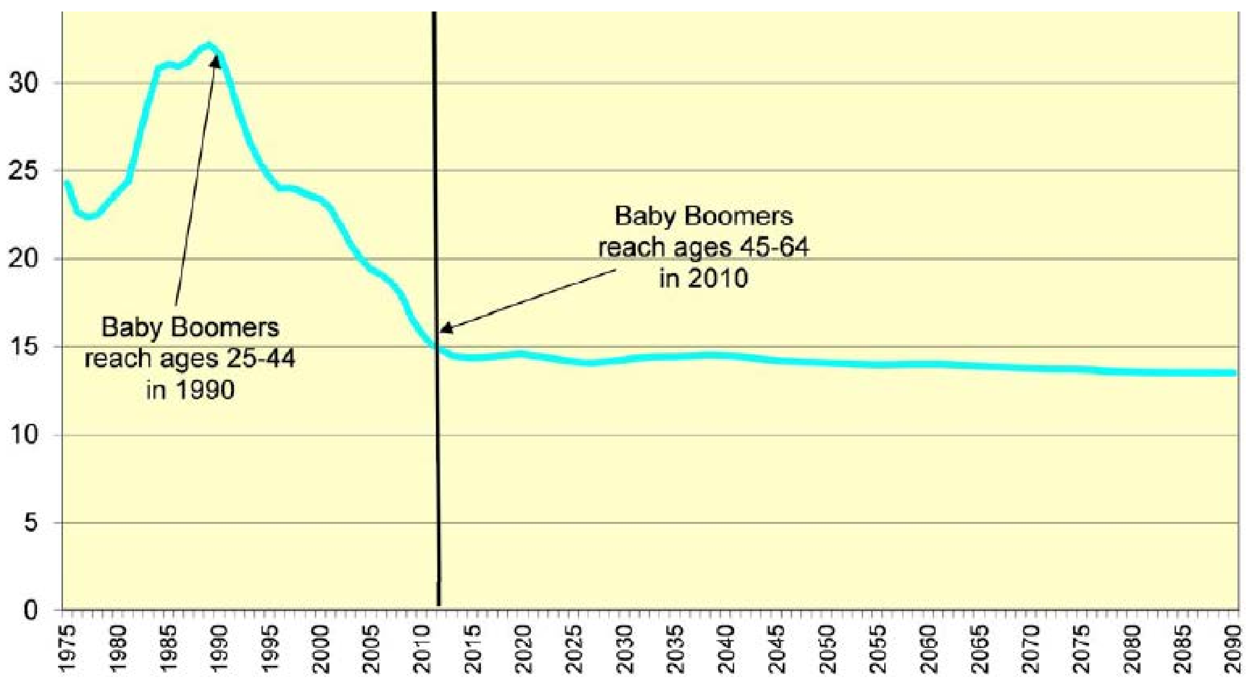
Over the last couple of decades, the baby boom generation has moved from less disability prone ages (25 to 44) to more disability prone ages (45 to 64). This is reflected in the increased DI applications, awards, and insured beneficiaries over the last decade.

Figure 1: DI Trust Fund Statistics 2003 to 2013



As more baby boomers seek disability benefits, raising costs to the Trust Fund, there are fewer workers paying into the DI Trust Fund to support current beneficiaries.

Figure 2: Workers per Disability Insurance Beneficiary



The Trustees concluded that legislative action is needed as soon as possible to address the DI program's financial imbalance. They suggested that lawmakers may consider responding to the impending DI Trust Fund reserve depletion by reallocating the payroll tax rate between Old-Age and Survivors Insurance and DI.

We share the Trustees' concerns. Absent an act of Congress, the *Social Security Act* (Pub. L. No. 74-271) does not permit further funding or allow SSA to make benefit payments from funds other than the Trust Funds. Consequently, if the Social Security Trust Funds become depleted, current law would effectively prohibit SSA from paying full Social Security benefits on a timely basis. The Agency would then have to decide on the best course of action for paying disabled beneficiaries. SSA needs to plan for this contingency, and it needs to share its plan with Congress and the American public. SSA needs to be proactive in fostering a dialogue on this critical issue to help determine how SSA will pay DI benefits in 2016 and beyond.

OTHER MANAGEMENT AND PERFORMANCE CHALLENGES

As we planned our audit work for FY 2014, we identified the following challenges in addition to DI Trust Fund Solvency.

- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen the Integrity and Protection of the Social Security Number
- Improve Transparency and Accountability
- Strengthen Strategic and Tactical Planning

We recently combined the last two challenges listed above into one – Strengthen Planning, Transparency, and Accountability. We concluded that the three elements of planning, transparency, and accountability are critical to sound management and should be considered collectively.

We further discuss these challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each of the identified challenges. For example, we used statistics reported by SSA and Office of the Inspector General audits of SSA's operations. We also used the FY 2014 independent auditor's report, which contained the results of SSA's financial statement audit. The report concluded that SSA had two significant deficiencies in internal control. These issues are discussed in detail in the enclosure.

My office will continue focusing on these issues in FY 2015. We will also continue assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

Fiscal Year 2014
Inspector General Statement
on the
Social Security Administration's
Major Management and Performance Challenges

November 2014

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

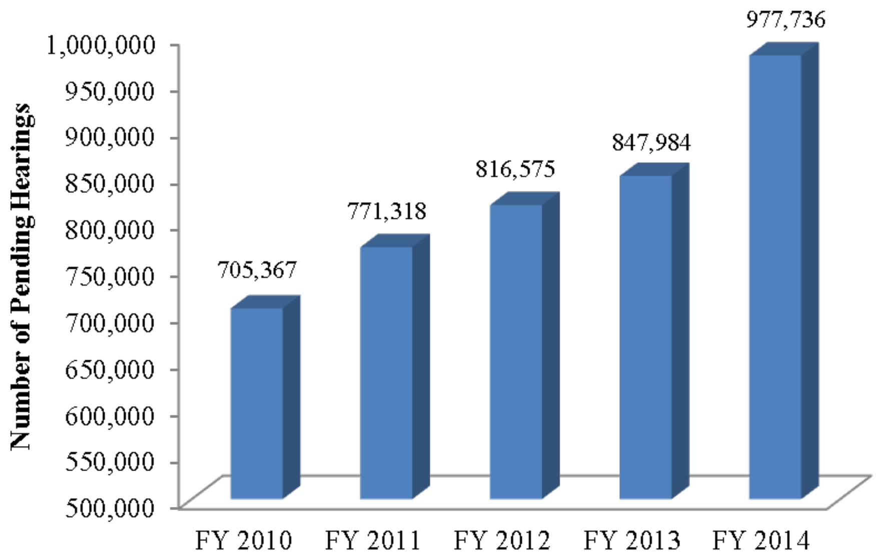
CHALLENGE

While the Social Security Administration (SSA) has emphasized the need for quality, consistency, and timeliness in its disability decisions, this remains a challenge as the hearings backlog approaches 1 million cases and timeliness continues to worsen.

HEARINGS BACKLOG

The hearings process is a key piece of the Agency's disability process, providing the public with an opportunity to appeal an earlier State disability determination services (DDS) decision. Since Fiscal Year (FY) 2010, the pending hearings backlog has increased annually. While the number of new receipts has declined over the past 4 years, it has exceeded dispositions. The backlog was about 705,000 cases in FY 2010 and grew to over 977,000 pending cases by the end of FY 2014 (see Figure 1).

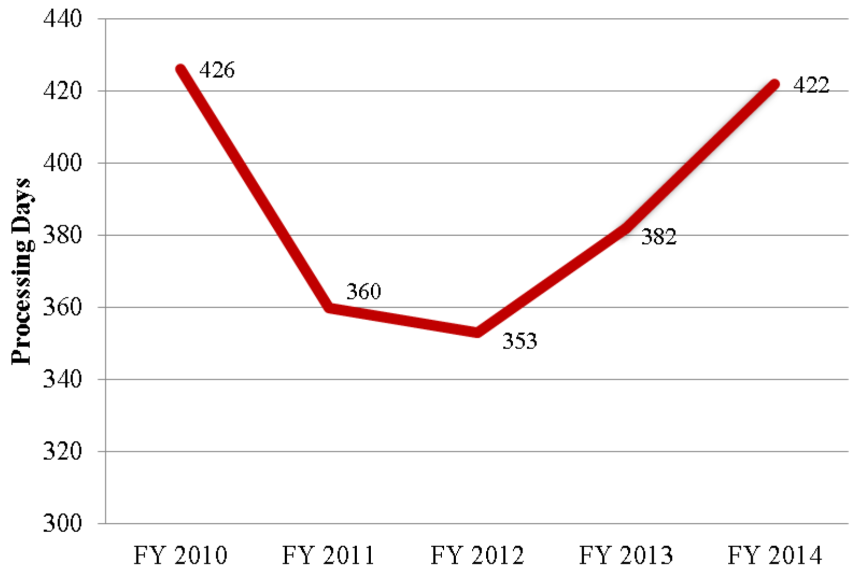
Figure 1: Pending Hearings Backlog



HEARING TIMELINESS

SSA's hearings processing timeliness was about 426 days in FY 2010. SSA made progress in reducing hearing waiting time to an average of 353 days in FY 2012. However, timeliness increased to an average of 422 days per case in FY 2014 (see Figure 2).

Figure 2: Hearing Average Processing Time



ADJUDICATORY CAPACITY

The Agency's ability to reduce the backlog and improve timeliness depends in large part on its adjudicatory capacity. The number of available administrative law judges (ALJ) grew by 18 percent from FY 2010 to FY 2013, but this number dropped in FY 2014 (see Table 1). SSA experienced delays in hiring new ALJs in part because the Agency exhausted the ALJ register administered by the Office of Personnel Management. As the Deputy Commissioner for Disability Adjudication and Review noted in November 2013 testimony, "The number of hearing requests we receive each year remains high, and we are losing many ALJs and support staff due to attrition, whom we are unable to replace. We are doing what we can to hold steady on our progress despite the loss of employees."

Table 1: Trends in Available ALJs

	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Number of Available ALJs	1,154	1,230	1,301	1,356	1,311

Cases decided by senior attorney adjudicators (SAA), who can make on-the-record allowances, has declined in recent years, leading to a reduction in the Agency's adjudicatory capacity. While SAAs decided about 54,000 cases in FY 2010, they decided only 19,000 cases in FY 2013. In late FY 2013, SSA implemented a National Screening Unit pilot program to screen cases for possible on-the-record favorable decisions. This pilot has further reduced the number of favorable decisions issued by SAAs. In FY 2014, SAAs decided about 1,900 cases.

AGENCY ACTIONS

The Agency has taken a number of steps to improve the quality, consistency, and timeliness of cases. For instance, since FY 2011, the Agency has been reviewing the quality of ALJ allowance decisions before their effectuation to ensure the cases were decided in a manner consistent with Agency policy. SSA has also enhanced its monitoring of ALJ workloads, created tools so ALJs and other employees can compare their workload to their peers' workloads, and focused greater attention on subsequent appellate actions on ALJ decisions—what it calls the "agreement rate." In addition, the Agency continues to focus on the oldest cases in the hearings backlog to ensure they are resolved. Finally, as noted earlier, the Agency is also hiring new ALJs and refocusing the work of the SAAs to address the growing backlog and timeliness issues.

In our audits, we have attempted to assist the Agency as it reviews outlier activity and provides meaningful feedback to adjudicators and staff. In our December 2013 report, *Analysis of Hearing Offices Using Key Risk Factors*, we provided SSA with an additional model to evaluate the performance of individual hearing offices using multiple criteria. Moreover, in our July 2014 report, *Subsequent Appellate Actions Taken on Denials Issued by Low-Allowance ALJs*, we highlighted additional ways the Agency can provide case quality data to its adjudicators.

WHAT THE AGENCY NEEDS TO DO

Continue to focus on reducing the hearings backlog and average processing times. The number of pending claims is approaching one million claims and processing times have worsened in recent years.

Use available resources to increase adjudicatory capacity, especially since SAAs are deciding fewer cases.

Develop management information to identify hearing office outliers. Resources can then be directed to the hearing offices operating below Agency standards.

Continue focusing on the quality of ALJ decisions. This focus and related training on identified weaknesses will enhance the overall hearings process.

KEY RELATED LINKS

- Office of the Inspector General (OIG) Report - Analysis of Hearing Offices Using Key Risk Factors (A-12-13-13044), December 20, 2013.
- OIG Report – Effects of the Senior Attorney Adjudicator Program on Hearing Workloads (A-12-13-23002), June 28, 2013.
- OIG Report - Subsequent Appellate Actions Taken on Denials Issued by Low-Allowance ALJs (A-12-13-13084), July 3, 2014.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

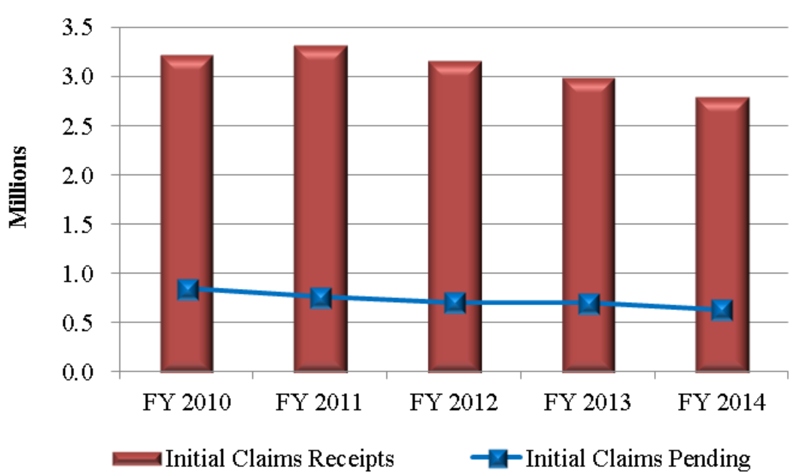
CHALLENGE

SSA needs to address receipt of millions of initial disability and reconsideration claims and backlogs of initial disability claims and continuing disability reviews (CDR), while also protecting its disability programs from fraud.

DISABILITY CLAIMS BACKLOG

SSA completed almost 3 million initial and 784,000 reconsideration disability claims in FY 2013 and over 2.8 million initial and 757,000 reconsideration claims in FY 2014. While initial claims receipts have declined in recent years, SSA had a large number of initial claims pending completion. As of the end of FY 2014, SSA had over 632,000 initial disability claims pending. In addition, SSA expects to have approximately 656,000 initial disability claims pending at the end of FY 2015.

Figure 3: Initial Claims Receipts and Pending

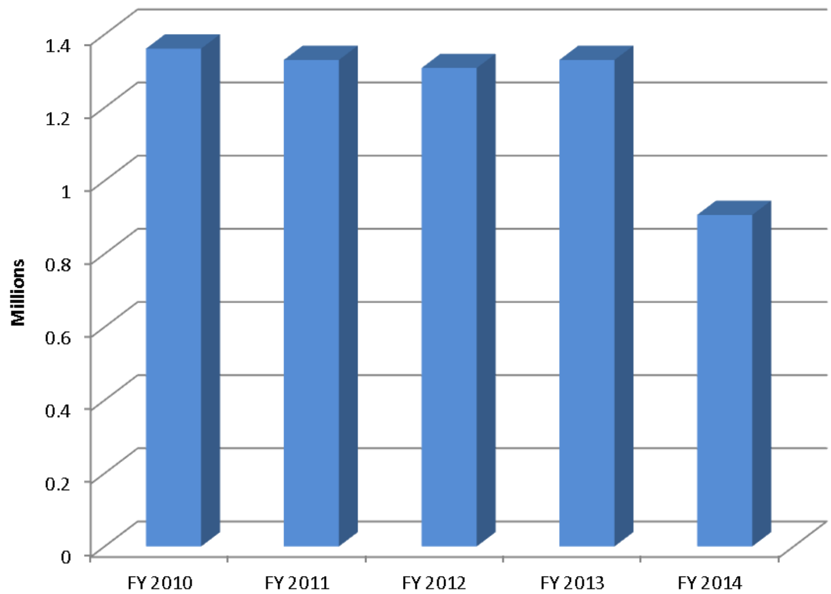


CDR BACKLOG

In our August 2014 report on *The Social Security Administration's Completion of Program Integrity Workloads*, we stated that SSA had a backlog of 1.3 million full medical CDRs at the end of FY 2013. SSA had a backlog because it had not completed all full medical CDRs when they became due. While SSA increased the number of full medical CDRs completed in recent years, it was still lower than needed to eliminate the backlog. As a result, SSA missed opportunities for potential savings. For example, if, during FY 2014, SSA conducted full medical CDRs at historic levels, we estimated it would identify more than $4.6 billion in additional Federal benefit savings.

SSA received authority to hire approximately 2,600 DDS employees in FY 2014—including replacement hiring and some additional hires. SSA expects these new hires to enable the Agency to process additional CDRs in FY 2015.

Figure 4: Full Medical CDR Backlog



DISABILITY FRAUD

Recent high-profile fraud schemes uncovered in New York, Puerto Rico, and West Virginia highlighted the vulnerability of SSA's disability programs to fraud. In New York, criminal facilitators conspired with disability applicants to feign disabilities and submit disability applications with fabricated and/or exaggerated ailments, which led to many individuals receiving disability benefits for which they were not eligible. Similarly, in Puerto Rico, dishonest third-party facilitators conspired with claimants submitting medical documentation that fabricated or exaggerated disabilities. In West Virginia, it was alleged that an ALJ in Huntington, West Virginia, conspired with an attorney to grant favorable decisions to disability claimants who were potentially ineligible for benefits.

The fraud schemes revealed that numerous individuals, with the assistance of the same attorney, claimant representative, or other facilitator, could apply for disability benefits, allege similar physical and/or mental impairments, provide similar fabricated or exaggerated medical documentation certified by a common physician or medical facility, and receive disability benefits. These cases highlighted SSA's lack of the information technology (IT) infrastructure and front-end analytical tools necessary to screen applications for "potential fraud warnings" and then to review or investigate further before approving; for example, flagging a string of disability claims from applicants in the same geographic area with a common claimant representative and similar alleged disabilities. Watchful SSA and DDS employees ultimately caught the patterns present in the fraudulent claims in New York and Puerto Rico, but not before the Agency approved those claims and made millions of dollars of payments to the beneficiaries.

AGENCY ACTIONS

SSA'S STRATEGY

In November 2010, SSA released its *Strategy to Address Increasing Initial Disability Claim Receipts* to reduce the initial claims backlog to a pre-recession level of 525,000 by FY 2014. The multi-year Strategy included

- increasing staffing in the DDS and Federal disability processing components;
- improving efficiency through automation;
- expanding the use of screening tools to assist in identifying claims likely to be allowed; and
- refining policies and business processes to expedite case completion.

However, in our April 2014 report on *SSA's Progress in Reducing the Initial Disability Claims Backlog*, we found SSA no longer expected to achieve its pending level goal of 525,000, and it had not established a new goal. If the anticipated funding and productivity remain unchanged, we estimate that the pending level would remain lower than the FY 2013 level through FY 2016. However, the pending level will not be reduced to 525,000 claims.

DISABILITY CASE PROCESSING SYSTEM

The Agency is developing a Disability Case Processing System (DCPS), which is 1 system that will replace the existing 54 systems that support the DDSs. DCPS will integrate case analysis tools and health information technology. A common case processing system will help SSA timely distribute policy changes. Per SSA, it will provide consistent case processing abilities between the DDSs, which should have a positive effect on processing times and the consistency of disability decisions.

SSA began testing the initial version of DCPS in September 2012 and expected to implement DCPS nationwide by FY 2016. However, schedule delays have pushed full implementation to FY 2018. In addition, a management consulting firm hired by SSA found several weaknesses with the implementation of DCPS. We will continue evaluating SSA's plans to complete the DCPS project.

FRAUD PREVENTION AND COOPERATIVE DISABILITY INVESTIGATIONS

This year, SSA began an initiative to develop predictive analytics to detect disability fraud. This project entailed two phases. Phase I was a 90-day "proof of concept" phase, completed in May 2014, which used data analytics to prove known fraud using disability claims data from the New York, Puerto Rico, and West Virginia fraud schemes. Phase II, a 180-day phase to use predictive analytics to uncover unknown fraud using similar criteria deployed in Phase I, is ongoing. In addition, SSA is considering building a fraud risk-scoring model as well as determining the feasibility of establishing a joint anti-fraud organizational model composed of several SSA components. SSA is working with three vendors on the use of the predictive analytics tool and another vendor regarding a joint anti-fraud unit.

SSA also established Fraud Prevention Units (FPU) in New York, Kansas City, and San Francisco. The offices comprise dedicated disability examiners assigned to regional Disability Processing Branches. The FPUs' purpose is to review and identify suspicious disability claims as well as handle related redeterminations.

The Cooperative Disability Investigations (CDI) program continues to be one of our most successful joint initiatives, combining the efforts of the OIG, SSA, DDSs, and State or local law enforcement personnel. The CDI program has 27 units in 23 States and 1 U.S. territory. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. Since the program's inception in FY 1997, its efforts have resulted in $2.8 billion in projected savings to the Disability Insurance and Supplemental Security Income (SSI) programs as well as $1.9 billion in projected savings to non-SSA programs. SSA and the OIG plan to open 5 new CDI units by the end of FY 2016, bringing the number of CDI units to 32.

WHAT THE AGENCY NEEDS TO DO

Continue to focus on reducing the CDR backlog. While the Agency made some progress in lowering the backlog in FY 2014, it still needs to use its available resources and technology to increase its capacity to ensure it completes full medical CDRs when they become due.

Revisit its strategy to address the initial disability claims backlog. SSA needs to develop meaningful performance measures to ensure progress in reducing initial claims pending.

Ensure DCPS is back on track to modernize the technology infrastructure that supports disability case processing nationwide. SSA needs to address the weaknesses identified and recommendations made by the management consulting firm.

SSA needs to develop the tools and systems needed to properly store and analyze disability applications and claims to ensure payment integrity and protect the disability programs against fraud.

KEY RELATED LINKS

- OIG Report - SSA's Completion of Program Integrity Workloads (A-07-14-24071), August 18, 2014.
- OIG Report - SSA's Progress in Reducing the Initial Disability Claims Backlog (A-07-13-13073), April 28, 2014.
- SSA's Strategy to Address Increasing Initial Disability Claim Receipts, November 2010.
- OIG Report - Full Medical Continuing Disability Reviews (A-07-09-29147), March 30, 2010.
- OIG Report - Termination of Disability Benefits Following a Continuing Disability Review Cessation Determination (A-07-12-11211), November 1, 2012.
- IG Testimony - Examining Ways the Social Security Administration Can Improve the Disability Review Process, April 9, 2014.
- OIG Report – The Social Security Administration's Ability to Prevent and Detect Disability Fraud, September 2014.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE

SSA is responsible for issuing over $800 billion in benefit payments, annually, to about 60 million people. Given the amount of overall dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

SSA is one of the Federal agencies with a high amount of improper payments. In FY 2013, the last FY for which data were available, SSA reported about $8.1 billion in over- or underpayments, and the Agency incurred an administrative cost of $0.07 for every overpayment dollar it collected. Further, SSA needs to adhere to the requirements in Executive Order 3520 *Reducing Improper Payments,* the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) (Pub. L. No. 111-204), and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) (Publ. L. No. 112-248). SSA needs to take additional actions to reduce improper payments.

IMPROPER PAYMENT RATES

Workers, employers, and taxpayers who fund SSA's programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

For example, according to SSA, in FY 2013,

- the Old-Age, Survivors and Disability Insurance (OASDI) overpayment error was $1.9 billion or 0.2 percent of program outlays, and the underpayment error was $1.1 billion or 0.1 percent of program outlays; and
- the SSI overpayment error was $4.2 billion or 7.6 percent of program outlays, and the underpayment error was $918 million or 1.7 percent of program outlays.

For FYs 2013 through 2015, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; and for SSI, the Agency's goal was to achieve over- and underpayment accuracy rates of 95 and 98.8 percent, respectively.

The Agency has not met its payment accuracy goals often in the last few years (see **Table 2**).

Table 2: Overpayment Accuracy Rates and Goals FYs 2009 Through 2013

FY	2009		2010		2011		2012		2013	
Program	**SSI**	**OASDI**	**SSI**	**OASDI**	**SSI**	**OASDI**	**SSI**	**OASDI**	**SSI**	**OASDI**
Rate	91.60	99.63	93.35	99.61	92.66	99.68	93.66	99.78	92.43	99.78
Target	96.00	99.80	91.60	99.80	93.30	99.80	95.00	99.80	95.00	99.80
Met	No	No	Yes	No	No	No	No	No	No	No

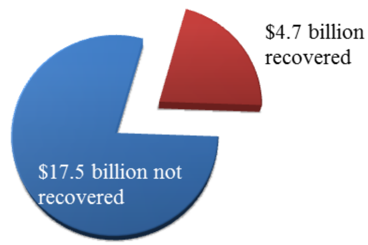
EXECUTIVE ORDER 13520, IPERA, AND IPERIA

In November 2009, the President issued Executive Order 13520 on reducing improper payments; and, in March 2010, the Office of Management and Budget issued guidance for implementing it. Also, in July 2010, IPERA was enacted. Furthermore, in January 2013, IPERIA was enacted, which refined steps agencies should take to address improper payments. As a result, all agencies with high-risk programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. The Office of Management and Budget designated SSA's programs as high-risk.

OVERPAYMENT RECOVERIES

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2014, the Agency recovered $4.7 billion in overpayments at an administrative cost of $0.07 for every dollar collected and ended the FY with an uncollected overpayment balance of $17.5 billion.

Figure 5: Overpayments Recovered FY 2014



AGENCY ACTIONS

IMPROPER PAYMENT CAUSES

The major causes of improper payments in the OASDI program include beneficiaries who fail to timely report earnings and when SSA does not timely withhold monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. SSA developed a statistical model that predicts the likelihood of beneficiaries being at risk of receiving large earnings-related overpayments and implemented it nationwide in June 2013.

A major cause of improper payments in the SSI program is recipients' failure to provide accurate and timely reports of new or increased wages. In response, SSA developed a monthly wage reporting system incorporating touch-tone and voice-recognition telephone technology. SSA also implemented its Access to Financial Institutions project to reduce SSI payment errors by identifying undisclosed financial accounts with balances that placed recipients over the SSI resource limit.

DEBT COLLECTION TOOLS

SSA uses a variety of methods to collect overpayment-related debt. Collection techniques include internal methods, such as benefit withholding and billing with follow up. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset.

CDRS

The CDR is a tool for reducing improper payments. Through completion of CDRs, SSA periodically verifies that individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about $10 for every $1 spent on CDRs, including Medicare and Medicaid program effects.

WHAT THE AGENCY NEEDS TO DO

Identify and prevent improper payments through automation and data analytics. SSA needs to use the data it has and can obtain to better identify changes that affect beneficiaries and recipients' benefit payments. For example, we have recommended that SSA use its own data to identify anomalies that suggest a beneficiary may be ineligible.

Collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when SSI recipients self-report their personal financial situations.

Accurately calculate overpayments and reconcile data between systems to detect discrepancies, which could lead to payment errors.

KEY RELATED LINKS

- Executive Order 13520 – Reducing Improper Payments and Eliminating Waste in Federal Programs, November 23, 2009.
- Improper Payments Elimination and Recovery Act of 2010, July 22, 2010.
- Improper Payments Elimination and Recovery Improvement Act of 2012, January 10, 2013.
- Federal Payment Accuracy website.
- OIG Report - The Social Security Administration's Plan to Reduce Improper Payments Under Executive Order 13520, as Reported in March 2013 (A-15-13-13105), September 30, 2013.
- IG Testimony – New Steps to Strengthen the Integrity of Federal Payments, May 8, 2013.
- OIG Report – Using Bank Data to Identify Supplemental Security Income Recipients with Potential Overpayments (A-01-12-11223), September 5, 2013.
- OIG Report - The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Act of 2010 in the Fiscal Year 2013 Agency Financial Report (A-15-14-14074), April 14, 2014.
- OIG Report - Supplemental Security Income Recipients with Excess Unstated Income (A-07-12-11206), May 20, 2014.

IMPROVE CUSTOMER SERVICE

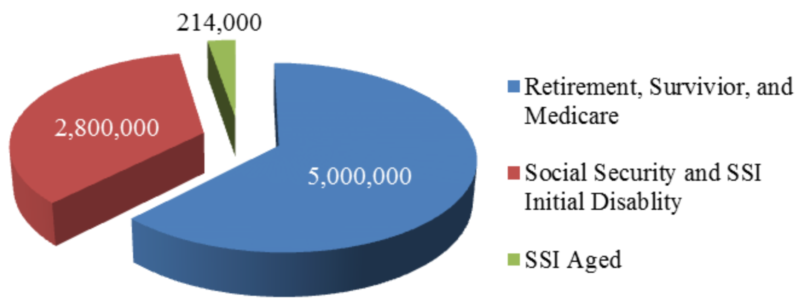
CHALLENGE

SSA faces several challenges, such as increasing workloads and representative payee oversight, as it pursues its mission to deliver services that meet the public's changing needs.

INCREASED WORKLOAD WITH REDUCED STAFF

The number of Americans age 55 and older will increase by more than 10 million between 2015 and 2020, further increasing the demand for SSA services. In FY 2014, SSA completed approximately 5 million retirement, survivor, and Medicare claims; over 2.8 million Social Security and SSI disability claims; and nearly 214,000 SSI aged claims.

Figure 5: FY 2014 Claims



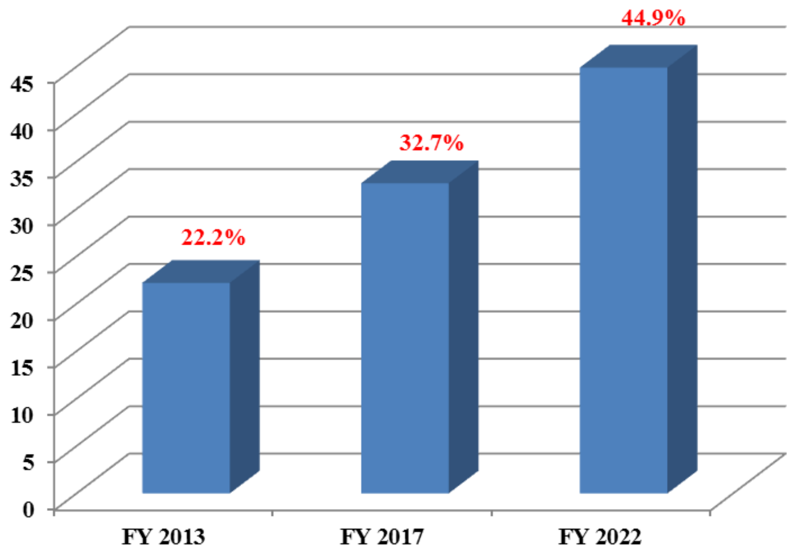
In addition, in FY 2014, SSA reported it

- completed 757,000 reconsiderations, 614,000 hearings, and 162,000 Appeals Council reviews;
- conducted 2.6 million SSI redeterminations and 1.7 million periodic medical CDRs;
- completed requests for 16 million new and replacement Social Security cards; and
- posted 253 million earnings items to workers' records.

One of SSA's greatest challenges is the loss of its most experienced employees. From FYs 2011 to 2013, nearly 11,000 SSA employees found other employment or retired. As a result, in FY 2014, the public waited longer for decisions on disability claims, to schedule an appointment in a field office, and to talk to a representative on the National 800-number. Busy signals nearly tripled from 5 percent in FY 2012 to 14 percent in FY 2014, and the average time to answer a call increased from about 5 minutes in FY 2012 to over 22 minutes in FY 2014.

SSA's projected retirement of its employees continues to challenge its customer service capability. SSA estimates that about 45 percent of its employees, including 54 percent of its supervisors, will be eligible to retire by FY 2022.

Figure 6: Retirement Eligibility



In a May 2013 report, the Government Accountability Office (GAO) noted SSA's human capital planning and analysis was not aligned with its long-term goals and objectives. SSA recognizes that it must recruit and retain a multi-generational, multi-cultural workforce with the competencies needed to achieve its mission and goals.

CHANGING CUSTOMER EXPECTATIONS

Technology is transforming how SSA conducts business with the public. Computer technology, high-speed networks, and mobile innovation provide new opportunities for service delivery. The public also expects responsive service from multiple service delivery channels. At the same time, the nation is becoming more diverse. For example, the Census Bureau projects the U.S. Hispanic population will nearly triple, from 46.7 to 132.8 million, between 2008 and 2050. As SSA enhances its service delivery strategies, it must consider the increasing multi-lingual, multi-cultural population it serves.

REPRESENTATIVE PAYMENT PROGRAM

SSA appoints representative payees to manage the benefits of incapable beneficiaries and recipients because of their age or mental or physical impairment. In January 2014, SSA reported that approximately 5.9 million representative payees managed about $74 billion in payments for 8.6 million beneficiaries and recipients. Our audits continue finding problems with representative payees who improperly use and account for beneficiaries' payments. Also, in a recent OIG review, we determined SSA paid $265 million in benefits to someone other than the selected representative payees for 11,749 beneficiaries. Further, GAO noted SSA struggled to effectively administer its Representative Payment Program. The projected growth in the aged population, as well as the incidence of individuals with dementia, will require that SSA spend more resources recruiting and monitoring representative payees.

AGENCY ACTIONS

SSA implemented the following initiatives to improve customer service: pursuing a long-term vision and strategic plan, expanding the use of online services, improving telephone services, expanding video services, and improving the Representative Payment Program.

LONG-TERM VISION AND STRATEGIC PLAN

Recently, the National Academy of Public Administration (NAPA) conducted a study to address the continuing service delivery challenges SSA faces. In July 2014, NAPA published its report—*Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030*. SSA plans to use this report, along with input from its stakeholders, to develop a plan—*Vision 2025*—which SSA expects to release in FY 2015.

ONLINE SERVICES

One of SSA's priorities is to provide the public with more service options through a wide range of online services. In FY 2014, SSA began development of the Internet Social Security Number (SSN) Replacement Card, which will allow the public to apply for a replacement SSN card over the Internet. Through the Agency's *my* Social Security online portal, individuals can obtain their Social Security statements and benefit verification letters, start or change their direct deposit payment, and change their address. *My* Social Security has about 2 million visits per month. In FY 2014, SSA reported it plans to expand *my* Social Security to include online notice delivery. Further, SSA plans to expand its online services to the SSI population and representative payees. Finally, SSA is collaborating with other government agencies and organizations to install SSA Express—self-service computer stations offering access to SSA's online services directly linked to SSA representatives—at their respective facilities.

TELEPHONE SERVICES

SSA handles over 50 million telephone transactions per year. SSA is replacing its National 800-number infrastructure with a new system that will help eliminate lengthy navigation menus, better forecast call volumes, anticipate staffing needs, and efficiently distribute calls. It will also enhance the automated telephone applications' self-service features and speech recognition technology.

VIDEO SERVICES

SSA is expanding its video services for individuals who live in rural areas or places that do not have public transportation. Video services enable SSA to provide service to people at hospitals, libraries, community centers, American Indian Tribal centers, and homeless shelters. Video services also reduce travel costs and lost work hours. In FY 2014, SSA reported it had video units in over 2,000 sites and conducted over 156,000 transactions and held over 171,000 hearings by video. Additionally, in FY 2014, SSA conducted approximately 5,000 video remote interpreting services to hearing-impaired visitors.

REPRESENTATIVE PAYMENT PROGRAM

SSA is developing a long-term strategic approach to improve its Representative Payment Program. Current efforts include using a predictive model that identifies cases with a higher probability of potential misuse. Further, in February 2014, SSA implemented its representative payee criminal bar policy, which prevents individuals convicted of committing certain crimes from serving as a representative payee.

WHAT THE AGENCY NEEDS TO DO

Develop and implement a clear vision on how it plans to provide service, given the current and anticipated workload increases and staff reductions.

Continue strengthening its controls for selecting and monitoring representative payees.

KEY RELATED LINKS

- NAPA Report – Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030, July 2014.
- OIG Report – Representative Payee Selections Pending in the Representative Payee System (A-09-12-11252), February 2014.
- GAO Report – SSA Representative Payee Program: Addressing Long-Term Challenges Requires a More Strategic Approach (GAO-13-473), June 5, 2013.
- GAO Report – Information Technology: SSA Needs to Address Limitations in Management Controls and Human Capital Planning to Support Modernization Efforts (GAO-14-308), May 2014.
- SSA's Agency Strategic Plan Fiscal Years 2014-2018.
- SSA's Annual Performance Plan for Fiscal Year 2015, Revised Performance Plan for Fiscal Year 2014, and Annual Performance Report for FY 2013.
- SSA's Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2013, January 30, 2014.

INVEST IN INFORMATION TECHNOLOGY INFRASTRUCTURE TO SUPPORT CURRENT AND FUTURE WORKLOADS

CHALLENGE

SSA faces major challenges to ensure it has sufficient IT controls, provides secure electronic services to meet its customers' growing needs, strategically plans to modernize its systems for future service delivery, and efficiently implements major IT initiatives.

SSA faces the challenge of how best to use technology to meet its increasing workloads with limited budgetary and human resources. Further, SSA will not be able to manage its current and future workloads without the proper IT infrastructure. The Agency uses a variety of technologies to deliver service to its customers, including telephone, the Internet, and videoconferencing. We have concerns regarding the Agency's IT physical infrastructure, development and implementation of secure electronic services, logical access controls and security of information systems, and management of major IT projects.

IT PHYSICAL INFRASTRUCTURE

SSA's National Computer Center (NCC), built in 1979, houses the infrastructure that supports the Social Security programs provided to the public and other services provided to Federal, State, international, and private agencies. Increased workloads and growing telecommunication services have strained the NCC's ability to support the Agency's business. SSA's primary IT investment over recent years has been replacing the NCC. The Agency has projected that its new facility will not be fully operational until 2016.

DEVELOPMENT AND IMPLEMENTATION OF SECURE ELECTRONIC SERVICES

SSA must provide additional electronic services to meet its customers' growing needs. In FY 2014, the public completed 70 million transactions online. The Agency's FY 2014 goal was to have 50.9 million transactions completed online.

While expanding its inventory of electronic services, the Agency needs to ensure its existing and future electronic services are secure. In January 2013, SSA expanded its *my* Social Security online portal to include direct deposit changes, change of address, and benefit verification. However, fraudulent accounts were established to redirect Social Security benefits to unauthorized bank accounts. From February 1, 2013 through FY 2014, we received nearly 40,000 fraud allegations related to *my* Social Security accounts from SSA and other sources.

LOGICAL ACCESS CONTROLS AND SECURITY OF SENSITIVE INFORMATION

SSA's FY 2009, 2010, and 2011 Financial Statement Audits identified a significant deficiency in the Agency's controls over access to its sensitive information. For example, SSA did not consistently comply with policies and procedures to periodically reassess the systems access given to its employees and contractors. Moreover, some employees and contractors had greater access to systems than they needed to perform their jobs. Additionally, certain configurations increased the risk of unauthorized access to key financial data and programs. The FY 2012 Financial Statement Audit identified additional concerns and raised the significant deficiency to a material weakness.

The FY 2013 and 2014 Financial Statement Audits continued identifying control issues in both the design and operation of key controls. In these audits, the independent auditor identified several deficiencies that, when aggregated, were considered to be a significant deficiency with regard to SSA's information systems controls.

We also found security weaknesses in SSA's systems. In our October 2013 report on *SSA's Process to Identify and Monitor the Security of Hardware Devices Connected to its Network*, we found the Agency's inventory of hardware devices was incomplete and inaccurate and included devices that were not approved to be on the network. In addition, in our 2014 report on *Mobile Device Security*, we found that SSA's security of mobile devices did not always conform with Federal standards and business best practices to mitigate unauthorized access to Agency sensitive information.

IMPLEMENTATION OF MAJOR IT PROJECTS

SSA faces challenges in executing and implementing major IT projects and delivering expected functionalities on-schedule and within budget.

SSA has partnered with State DDSs to evaluate disability claims and make disability determinations. Each of the 54 DDSs uses a customized legacy system to process disability claims and other non-SSA workloads. Supporting and maintaining these systems requires significant resources. In 2009, SSA started the DCPS project to simplify DDS system support and maintenance by transitioning to a modern, common case processing system. At that time, SSA estimated the project to cost $381 million.

In March 2014, SSA contracted with an external firm to conduct an independent analysis of the DCPS project. The firm found that SSA invested $288 million in DCPS over 6 years, but the project delivered limited functionality and faced schedule delays as well as increasing stakeholder concerns. The report stated that SSA leadership had decided to "reset" the program to increase the likelihood of successful delivery. In June 2014, SSA updated the estimated project costs to $752 million.

In July 2014, the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, requested that we investigate DCPS. On September 5, 2014, we issued an interim report that addressed some questions related to the independent evaluation and DCPS project roles and responsibilities. In addition, we initiated a review to evaluate SSA's plans to complete the DCPS project. In our report, we will determine whether, going forward, SSA has established (1) reasonable milestones and deliverable dates; (2) a process to monitor progress, identify issues, and take corrective action; and (3) plans to keep key stakeholders—including Congressional oversight committees and the Inspector General—informed of the project's status. We plan to issue our report later in November 2014.

AGENCY ACTIONS

IT PHYSICAL INFRASTRUCTURE

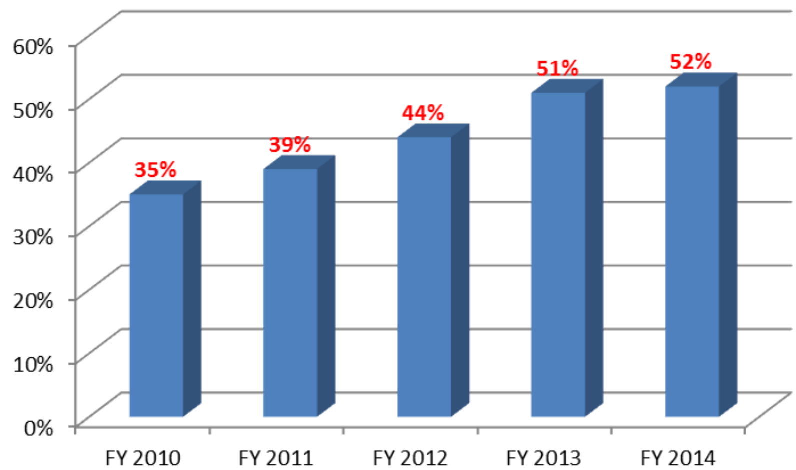
SSA has taken steps to address its IT infrastructure challenge and the NCC's sustainability through 2016. For example, SSA conducts regular tours of the facility with technical experts to identify needed repairs or future replacement projects.

In February 2009, SSA received $500 million in *American Recovery and Reinvestment Act* (Pub. L. No. 111-5) funding to replace its NCC. In August 2011, the General Services Administration purchased a site for SSA's new data center. In January 2012, the General Services Administration and SSA awarded a contract for the design and construction of a new data center. The physical structure of the Agency's new data center, the National Support Center, was substantially completed by September 2014 and, according to SSA, ahead of schedule and under budget. However, the Agency still needs to transition all IT operations from the existing NCC to the new National Support Center in FYs 2015 and 2016.

DEVELOPMENT AND IMPLEMENTATION OF SECURE ELECTRONIC SERVICES

SSA offers over 30 electronic services to the public, businesses, and other government agencies. Further, SSA has researched Internet authentication solutions to secure online initiatives, such as Ready Retirement, replacement SSN cards, and other automated services. In FY 2014, individuals filed over 70 million transactions online, exceeding the Agency's FY 2014 goal of 50.9 million transactions. The Agency's FY 2015 goal is to conduct 55.8 million transactions online.

Figure 7: Percent of Claims Filed Online



In FY 2014, SSA implemented fraud prevention enhancements to secure *my* Social Security transactions, including applications for benefits and changes of address and direct deposit. Additionally in 2014, SSA increased its promotional activities for the *my* Social Security portal. The Agency held a National *my* Social Security Week campaign and various other activities, such as sign-up events, special radio and social media advertisements, press events, and local office activities encouraging the public to use its online services.

LOGICAL ACCESS CONTROLS AND SECURITY OF SENSITIVE INFORMATION

SSA developed the Profile Quality Program, a group of projects to limit access to the Agency's electronic resources, including sensitive data. As part of this Program, SSA implemented several procedures related to logical access controls and the security of sensitive information. Moreover, SSA implemented Web-based tools for automating SSA's process for reviewing access to sensitive information.

Finally, SSA developed teams to address the other significant deficiencies in information security. In FY 2014, SSA implemented additional policies and procedures and conducted security tests. This included, but was not limited to, policies and procedures over software change control, configuration management, authorization of hardware and software, and penetration testing.

IMPLEMENTATION OF MAJOR IT PROJECTS

SSA started implementing the recommendations of the firm that conducted the independent analysis of the DCPS project. Specifically, the Agency appointed a Chief Program Officer as the single accountable executive for DCPS and established an integrated program team to clarify responsibilities and improve communications. In addition, SSA plans to re-align programming efforts to focus on problem resolution, increase user engagement, and perform a new cost-benefit analysis for the project.

WHAT THE AGENCY NEEDS TO DO

Address the deficiencies identified by the independent auditor that, when aggregated, are considered to be a significant deficiency in the area of Information Systems Controls.

Ensure successful transition of its IT operations to the National Support Center and maintain responsive, reliable system performance.

Ensure the electronic services the Agency provides are secure.

Ensure its capital programming and investment control process is effective.

KEY RELATED LINKS

- OIG Report – The Social Security Administration's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2013 (A-14-13-13086), November 2013.
- OIG Report - The Social Security Administration's Financial Report for Fiscal Year 2013 (A-15-13-13085), December 9, 2013.
- OIG Report - SSA's Process to Identify and Monitor the Security of Hardware Devices Connected to its Network (A-14-13-13050), October 1, 2013.
- OIG Report – Mobile Device Security (A-14-14-14051), September 26, 2014.

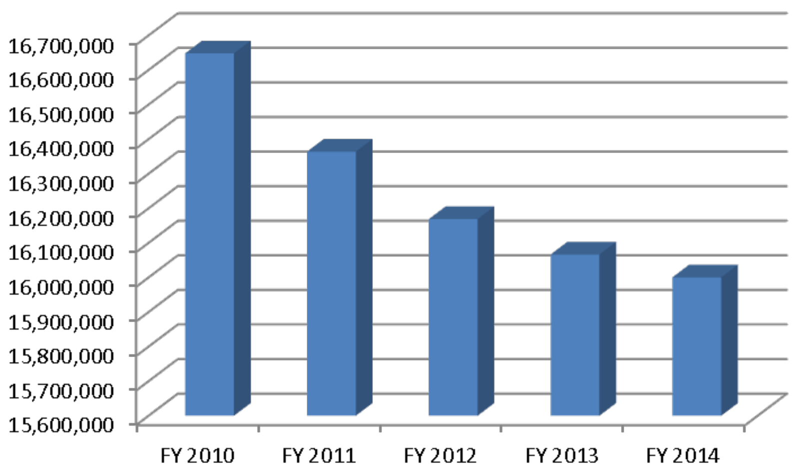
STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

CHALLENGE

Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due.

In FY 2014, SSA issued approximately 16 million original and replacement SSN cards. In addition, for Tax Year 2013, the Agency received and processed about 254 million wage items, totaling approximately $5.9 trillion in earnings. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and that eligible individuals receive the full benefits due them.

Figure 8: Number of SSNs Issued



SSN USE

The SSN is heavily relied on as an identifier and is valuable as an illegal commodity. Accuracy in recording workers' earnings is critical because SSA calculates future benefit payments based on the earnings an individual accumulates over his/her lifetime. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

SSN MISUSE

Given the frequency of SSN misuse and identity theft in U.S. society, we continue to believe protection of this critical number is a considerable challenge for SSA. Unfortunately, once SSA assigns an SSN, it has no authority to control the collection, use, and protection of the number by other public and private entities. The Inspector General has testified regarding ways of improving SSN protection and guard against misuse, identity theft, and tax fraud. The Federal Trade Commission has estimated that as many as 9 million Americans' identities are stolen each year.

Because the SSNs of deceased individuals are vulnerable to misuse, the public release of SSA's Death Master File (DMF) has raised concerns. More recently, the *Bipartisan Budget Act of 2013* restricted public access to the DMF. The public will have access only to a file containing deaths that occurred at least 3 calendar years before the request. To the extent possible, we believe SSA should limit public access to the DMF to only what is required by law and take all possible steps to ensure its accuracy.

EARNINGS

SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and to calculate the amount of benefit payments. Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If employers report earnings information incorrectly or not at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts.

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over $1.2 trillion in wages and 333 million wage items for Tax Years 1937 through 2012. In Tax Year 2012 alone, SSA posted 6.9 million wage items, representing $71 billion, to the ESF. From Tax Years 2003 to 2012, the ESF grew by approximately $749 billion in wages and 89.7 million wage items, representing about 62 percent of the total wages and 26 percent of the total wage items.

AGENCY ACTIONS

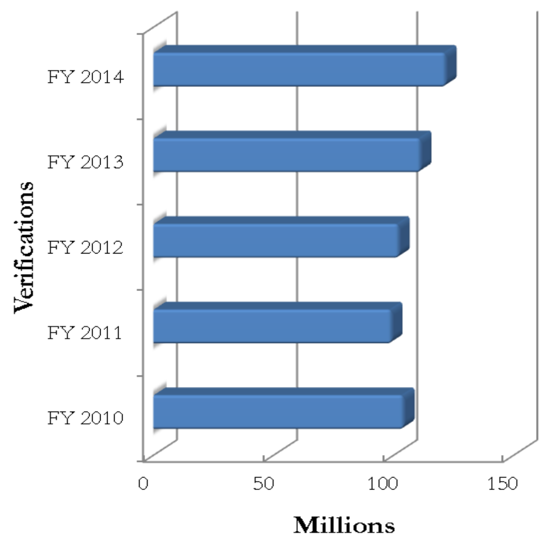
SSA has taken steps to streamline its enumeration process. For example, SSA is developing an Internet-based Social Security Number Replacement Card application. This will allow SSA to reduce the number of replacement card requests in field offices and Social Security Card Centers. While we believe this initiative may enhance customer service, SSA must ensure it takes all necessary steps to minimize the risk of fraudulent SSN replacement card attainment.

In addition, SSA has strengthened its policy for processing requests for the SSN printout. For example, SSA no longer provides SSN printouts to the public except in certain disaster situations. If an individual needs proof of his/her SSN and does not have a Social Security card, he/she will need to request a replacement by completing the *Application for a Social Security Card* (Form SS-5) and providing the required documentation.

SSN VERIFICATION SERVICE

SSA has taken steps to reduce the size and growth of the ESF. Since 2002, the Agency has offered employers the ability to verify the names and SSNs of their employees using the Agency's SSN Verification Service, which is an online verification program, before reporting wages to SSA. In FY 2014, approximately 36,700 registered employers submitted over 121.5 million verifications.

Figure 9: SSN Verification Service



E-VERIFY

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. According to the Department of Homeland Security, over 500,000 employers have enrolled to use E-Verify, and these employers submitted over 29 million queries in FY 2014.

WHAT THE AGENCY NEEDS TO DO

Continue to be vigilant in the protection of SSNs. We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States as well as the misuse of SSNs for identity theft purposes.

Limit public access to the DMF to only what the law requires, and take steps to ensure its accuracy. Because the SSNs of deceased individuals are also vulnerable to misuse, the public release of the DMF raises concerns.

Ensure that any electronic applications related to SSN card issuance offered through *my* Social Security include an effective authentication process.

Improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s from being posted, adding a verification response code to its SSN Verification Service to alert employers when a child's SSN has been submitted, and encouraging greater use of the Agency's employee verification programs. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

KEY RELATED LINKS

- OIG report – Internet Social Security Number Replacement Card Project (A-08-14-24096), July 24, 2014.
- OIG report - Potential Misuse of Foster Children's Social Security Numbers (A-08-12-11253), September 25, 2013.
- OIG report - Access Controls for the Social Security Number Verification Service (A-03-12-11204), April 18, 2013.
- OIG report - Noncitizens Issued Multiple Social Security Numbers (A-06-10-20155), December 10, 2012.
- OIG report - Monitoring Controls for the Consent Based Social Security Number Verification Program (A-03-12-11201), October 25, 2012.
- Inspector General Testimony – Hearing on Identity Theft and Tax Fraud, May 8, 2012.
- Inspector General Testimony – Hearing on Social Security's Death Records, February 2, 2012.
- OIG report – Controls For Issuing Social Security Number Printouts (A-04-11-11105), December 13, 2011.

STRENGTHEN PLANNING, TRANSPARENCY, AND ACCOUNTABILITY

CHALLENGE

Planning, transparency, and accountability are critical factors in effective management. Failure to plan properly to meet its mission and challenges will lessen the Agency's ability to provide its services efficiently and effectively now and in the future. Similarly, mismanagement and waste, as well as a lack of transparency for citizens in Government operations, can erode trust in SSA's ability to tackle the challenges it faces.

PLANNING

The Agency has developed multiple year strategic plans in the past, which included general descriptions of the programs, processes, and resources needed to meet its mission and strategic objectives. SSA has also produced other strategic plans, like the Information Resources Management Strategic and Human Capital Operating Plans, which covered periods of only a few years. While planning for the next few years is important, SSA needs a longer-term vision to ensure it has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond.

TRANSPARENCY

While the Agency has many performance measures and goals on which it publicly reports, we have questioned the usefulness of some of the measures and goals in the past. We have recommended that SSA develop more outcome-based performance measures and goals, including performance targets based on SSA's long-term outcomes instead of annual budgets.

Also, SSA needs to be more forthright when planned projects face obstacles. For example, a contractor evaluated SSA's implementation of DCPS and found that the program had invested $288 million over 6 years, delivered limited functionality, and faced schedule delays as well as increasing stakeholder concerns. A member of Congress charged that SSA failed to inform congressional staff about the contractor's work and the challenges the program faced.

ACCOUNTABILITY

INDEPENDENT AUDITOR'S REPORT

The FY 2014 *Independent Auditor's Report* contained two significant deficiencies in internal control (the full text of the report can be found in SSA's FY 2014 *Agency Financial Report*). First, the auditor identified three deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to calculation, recording, and prevention of overpayments. Specifically, the auditor noted calculation errors in 12 percent of the overpayment items selected in a statistical sample. Although the impact of these errors was not deemed material to the financial statements, they indicate further control weaknesses in the overpayment process. In addition, SSA has a systems limitation where overpayment installments extending past 2049 are not tracked and reported. Further, SSA was not reconciling data between systems to detect discrepancies, which could lead to payment errors.

Second, the auditor identified five deficiencies that, when aggregated, were considered to be a significant deficiency in the area of information systems controls. The deficiencies noted were in the following areas.

- Threat and Vulnerability Management
- IT Oversight and Governance
- Change Management
- Mainframe Security
- Access Controls.

UNUSED FACILITIES AT SSA HEADQUARTERS

From March through October 2013, we identified empty workstations and workstations that SSA used to store such items as office supplies, boxes, obsolete computer equipment, and furniture. We also identified large areas of open space the Agency was not using. Additionally, we identified off-campus leased space that SSA was not fully occupying.

AGENCY ACTIONS

SSA is using the July 2014 NAPA report, *Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025*-2030, and additional stakeholder input, to develop its *Vision 2025*. Per SSA, its *Vision 2025* will explain the type of Agency it needs to be to meet its customers' expectations in the next 10 years and beyond.

The Acting Commissioner has made addressing both of the significant deficiencies a priority. Specifically, SSA has changed how it monitors discrepancies or inaccuracies in benefit payments. Additionally, SSA hired a Deputy Chief Information Officer, a position that had been vacant at SSA. The new Deputy Chief Information Officer's role is the Agency's IT strategic planning, alignment of IT investments to the Agency's strategic goals and objectives, and management of technology spending and capital planning.

SSA has taken steps to reduce its real estate footprint, with plans to consolidate multiple components in single locations on its Headquarters campus to terminate existing leases for some outlying buildings.

WHAT THE AGENCY NEEDS TO DO

SSA needs to develop and effectively implement a long-range vision that allows it to meet its mission, workloads, and customer expectations now and in the future. As part of this exercise, SSA should also develop performance measures and goals that address its long-term outcomes.

The Agency needs to address its two internal control significant deficiencies.

SSA needs to explore opportunities to use vacant space in its Headquarters buildings to expedite the termination of outlying building leases.

KEY RELATED LINKS

- NAPA report – Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030, July 2014.
- Letter from Congressman Sam Johnson to Acting Commissioner Carolyn Colvin on the Implementation of the Disability Case Processing System, July 25, 2014.
- OIG Report - The Social Security Administration's Financial Report for Fiscal Year 2014 (A-15-14-14084), November 10, 2013.
- OIG Report – Unused Facilities and Capacity at Social Security Administration Headquarters (A-15-13-13103), March 28, 2014.

OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit					
Audit Opinion	Unmodified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. System Requirements	No lack of substantial compliance noted	No lack of substantial compliance noted
2. Accounting Standards	No lack of substantial compliance noted	No lack of substantial compliance noted
3. USSGL at Transaction Level	No lack of substantial compliance noted	No lack of substantial compliance noted

ENTITLEMENT REVIEWS AND OFFICE OF THE INSPECTOR GENERAL ANTI-FRAUD ACTIVITIES

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Improper Payments Information Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires us to report annually on the extent to which we reviewed cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) benefits; and the extent to which the cases we reviewed were those that involved a high likelihood or probability of fraud.

ENTITLEMENT REVIEWS

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. We select cases and undertake reviews, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. We conduct the following major entitlement reviews:

DISABILITY QUALITY ASSURANCE REVIEWS

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal year (FY) 2010 through FY 2014.

Quality Assurance Reviews					
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	98.6%	98.4%	98.5%	98.1%	98.1%
Number of cases reviewed	32,451	32,807	32,262	31,672	29,780
Number of cases returned to the DDSs due to error or inadequate documentation	445	524	476	608	577

DI PREEFFECTUATION REVIEWS

We also perform preeffectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of preeffectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review (CDR) continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI preeffectuation accuracy rates for FY 2010 through FY 2014.

DI Preeffectuation Reviews					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	97.8%	97.4%	97.4%	97.1%	96.9%
Number of cases reviewed	378,712	390,480	362,250	333,159	316,306
Number of cases returned to the DDSs due to error or inadequate documentation	8,506	10,246	9,414	9,619	9,689

SSI PREEFFECTUATION REVIEWS

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we also use a profiling system to select cases for review. The following table shows the SSI preeffectuation accuracy rates for FY 2010 through FY 2014.

SSI Preeffectuation Reviews					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Percent of State DDS decisions to allow not returned to the DDSs for correction	98.4%	97.9%	97.9%	97.7%	97.6%
Number of cases reviewed	124,045	124,401	116,681	109,645	105,628
Number of cases returned to the DDSs due to error or inadequate documentation	2,023	2,612	2,430	2,530	2,562

CONTINUING DISABILITY REVIEWS

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2010 through FY 2014.

CDR Accuracy					
	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014
Overall accuracy	97.8%	97.7%	97.9%	97.2%	97.6%
Continuance accuracy	98.4%	98.3%	98.6%	98.0%	98.3%
Cessation accuracy	96.0%	96.0%	95.8%	95.1%	95.5%

OASDI AND SSI QUALITY ASSURANCE REVIEWS

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2010 through FY 2013. Data for FY 2014 is not available at this time. We will report the FY 2014 data in our *FY 2015 Agency Financial Report.*

OASDI Accuracy					
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Overpayment accuracy	99.6%	99.7%	99.8%	99.8%	Data not yet available
Underpayment accuracy	99.8%	99.9%	99.9%	99.9%	Data not yet available

SSI Accuracy					
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Overpayment accuracy	93.3%	92.7%	93.7%	92.4%	Data not yet available
Underpayment accuracy	97.6%	98.2%	98.2%	98.3%	Data not yet available

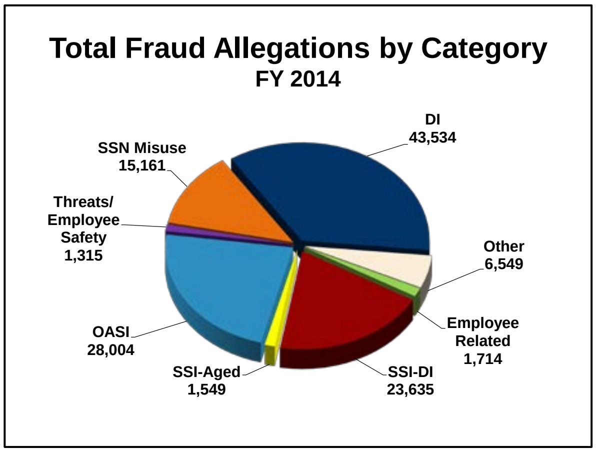
SSI REDETERMINATIONS

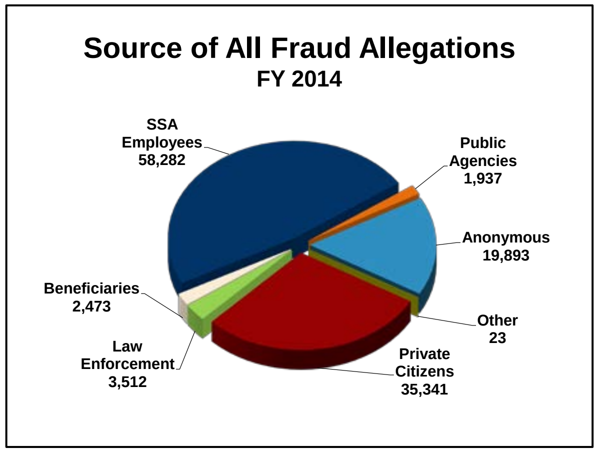
Once individuals become entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits; therefore, we must reflect those changes in our records. SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2010 through FY 2014.

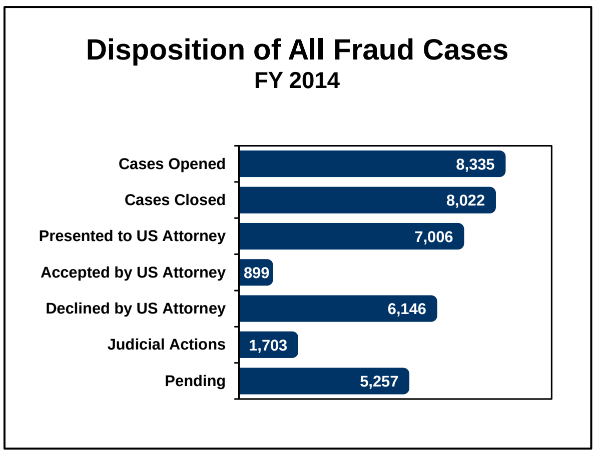
SSI Redeterminations (in millions)					
	FY 2010	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Number of redeterminations completed	2.466	2.457	2.624	2.634	2.628

THE OFFICE OF THE INSPECTOR GENERAL'S ANTI-FRAUD ACTIVITIES

In FY 2014, we worked with our Office of the Inspector General (OIG), the Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.







BIENNIAL REVIEW OF USER FEE CHARGES

SUMMARY OF FEES

In FY 2013 and FY 2014, we earned $391 million and $389 million in user fees, respectively. This revenue accounted for less than 1 percent of our total financing sources. We derive over 78 percent of user fee revenues from agreements with 22 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2014, we charged a fee of $11.32 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.55 for FY 2015. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our FY 2014 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2012. We are planning to perform another review of these fees during FY 2016.

FREEZE THE FOOTPRINT

In June 2010, the President issued Executive Order 13327, *Disposing of Unneeded Federal Real Estate – Increasing Sales Proceeds, Cutting Operating Costs, and Improving Energy Efficiency*. As a result, the Office of Management and Budget (OMB) issued a government-wide mandate that no Federal agency may increase total square footage or operating costs associated with offices. Called Freeze the Footprint, this initiative established a baseline using each agency's current total square footage as of FY 2012.

In accordance with Freeze the Footprint guidelines, we developed and implemented a *Real Property Cost Savings and Innovation Plan* to guide the agency in our efforts to comply with OMB's requirements. The agency monitors the continuing implementation of the plan and submits to OMB an Annual Agency Evaluation describing the overall approach in managing our real property footprint. The information below reflects the overall change in the agency's real property footprint from the FY 2012 baseline, as well as strategies we are pursuing to comply with the mandate.

The agency does not own or directly lease any buildings in its inventory. Per Federal Management Regulation, Subchapter C, the General Services Administration (GSA) acts as the landlord for the Federal civilian government, and is charged with promulgating regulations governing the acquisition, use, and disposal of real property. We work closely with GSA to manage our portfolio given changing workloads and the best business case for the agency.

Square Footage					
	FY 2012 Baseline	FY 2013	Change from Baseline	FY 2014*	Change from Baseline
Usable square footage	26,367,253	26,031,626	-335,627 or 1.3%	25,173,185	-1,194,068 or 4.5%

* Estimated, as the final usable square footage is not available from GSA until the second quarter of FY 2015.

Operation and Maintenance Cost – Owned and Direct Lease Buildings					
	FY 2012 Reported Cost	FY 2013	Change	FY 2014	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

We are pursuing the following strategies to comply with OMB's Freeze the Footprint policy:

- Analyzing rent trend projections while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;
- Optimizing space use by identifying and improving the overall use rate in new projects;
- Reviewing field and hearing office Federal building occupancies to determine if the current space meets our agency's business and mission needs based on current space standards and staffing levels; and

- Vacating 4 headquarters leased buildings in FY 2015 and FY 2016 to reduce our portfolio by approximately 260,000 usable square feet.

DEBT MANAGEMENT

The following two tables provide information on our debt management activities. We calculated the data shown in the tables by using accounts receivable amounts taken directly from the financial statements. We provide definitions of certain line items immediately following the Debt Management Activities Programmatic and Administrative Activity table. For more information on our agency's effort to curb overpayments, please refer to the *Improper Payments Information Detailed Report* immediately following this section.

We identified a system limitation in the processing of certain overpayments. In July 2011, the Government Accountability Office (GAO) issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." In that audit, GAO identified an OASDI system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 55,000 debts are affected by payment plans extending beyond the year 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $646 million. This amount is not material to the consolidated financial statements.

The following tables do not include the amounts related to post year 2049 debt. Therefore, the Total New Receivables and Total Write-offs are understated. We are working to address the system limitation, however the accounts receivable balance reported on the financial statements are presented fairly in all material respects.

FY 2014 Quarterly Debt Management Activities
Programmatic and Administrative Activity

Dollar Totals (in millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$17,319	$17,613	$18,145	$18,252
New receivables	1,074	2,523	4,632	5,976
Total collections	(875)	(1,775)	(2,677)	(3,686)
Adjustments	247	200	(263)	(309)
Total write-offs	(173)	(381)	(593)	(775)
- Waivers	(82)	(175)	(278)	(373)
- Terminations	(91)	(206)	(315)	(402)
Aging schedule of debts:				
- Non delinquent debt	11,153	11,568	12,009	11,895
- Delinquent debt				
- 180 days or less	1,386	1,202	1,268	1,398
- 181 days to 10 years	4,302	4,349	4,343	4,406
- Over 10 years	478	494	525	553
- Total delinquent debt	$6,166	$6,045	$6,136	$6,357

Debt Management Activities Programmatic and Administrative Activity					
Dollar Totals (in millions)	**FY 2010**	**FY 2011**	**FY 2012**	**FY 2013**	**FY 2014**
Total receivables	$15,212	$15,854	$16,588	$17,046	$18,252
New receivables	5,736	6,102	5,955	5,616	5,976
Total collections	(3,650)	(3,633)	(3,663)	(3,817)	(3,686)
Adjustments	(888)	(809)	(536)	(391)	(309)
Total write-offs	(986)	(1,018)	(1,022)	(950)	(775)
- Waivers	(497)	(546)	(502)	(421)	(373)
- Terminations	(489)	(472)	(520)	(529)	(402)
Non delinquent debt	11,055	11,190	11,589	11,268	11,895
Total delinquent debt	$4,157	$4,664	$4,999	$5,778	$6,357
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	72.7%	70.6%	69.9%	66.1%	65.2%
- Delinquent	27.3%	29.4%	30.1%	33.9%	34.8%
% of debt estimated to be uncollectible*	27.7%	27.8%	27.3%	26.3%	25.5%
% of debt collected	24.0%	22.9%	22.1%	22.4%	20.2%
% change in collections from prior fiscal year	2.5%	-0.5%	0.8%	4.2%	-3.4%
% change in delinquencies from prior fiscal year	4.7%	12.2%	7.2%	15.6%	10.0%
Clearances as a % of total receivables	30.5%	29.3%	28.2%	28.0%	24.4%
- Collections as a % of clearances	78.7%	78.1%	78.2%	80.1%	82.6%
- Write-offs as a % of clearances	21.3%	21.9%	21.8%	19.9%	17.4%
Other Analysis					
Cost to collect $1	$0.07	$0.08	$0.07	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	16	15	15	15	15
- DI	45	38	49	66	55
- SSI	35	35	36	38	39

* The percentage is derived from Allowance for Doubtful Accounts found in footnote 6 of the financial statements.

Definitions:

1. Adjustments – Program debt adjustments represent: (a) written-off debts, by way of terminations, that we reinstate for collections; (b) changes in debts when we update debtor accounts with new information; and (c) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.
2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person: (a) is without fault in causing the debt; and (b) recovery would either defeat the purpose of the act or be against equity and good conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.
3. Terminations – Terminations represent our decision to cease our own efforts to collect a debt because: (a) the debtor will not repay the debt or alleges they cannot pay the debt; (b) we cannot locate the debtor after diligent search; or (c) the debt is at least two years delinquent. Even though we terminate internal active collection, we may still use external collection efforts such as the Treasury Offset Program and

Administrative Wage Garnishment. If the debtor becomes entitled to OASDI benefits or eligible for SSI payments, we reinstate the debt and resume recovery through benefit/payment withholding.

4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (a) the date we establish an OASDI debt; (b) the date of the initial overpayment notice for a SSI debt; (c) the date of the last voluntary payment; (d) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (e) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.

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. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. "Strengthen the Integrity of Our Programs" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years* (FY) *2014 - 2018* (www.socialsecurity.gov/asp/plan-2014-2018.pdf). 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:

- Our mistake in computing the payment;
- Our failure to obtain or act 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.

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*, is available at our public improper payments website at: www.socialsecurity.gov/improperpayments.

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). Since 2003, we have 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 and redevelop all non-medical factors of eligibility as of the sample month to determine whether the payment was correct. Any difference between what we actually paid and what the reviewer determines we should have paid is expressed as an overpayment or underpayment error. We based the data in the OASDI and SSI Improper Payments Experience tables on cases sampled in FY 2013. We will not have FY 2014 data until April 2015. We will report our findings from the FY 2014 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 FY 2014, we continued to focus our improper payments strategy to align with our Improper Payments Governance. We are working in collaboration with our Federal partners, stakeholders, and beneficiaries to attain our agency Strategic Goal to "Strengthen the Integrity of Our Programs." Proper management of payments is an essential element of our goal.

Under this Strategic Goal, we will:

- Collaborate with other Federal agencies, such as the Department of Veterans Affairs (VA) and Centers for Medicare and Medicaid Services within the Department of Health and Human Services (HHS), to find innovative ways to prevent and reduce improper payments;
- Increase efforts to recover overpayments;

- Enhance predictive models and automation tools to help identify error-prone aspects of benefit eligibility;
- Expand the use of data analytics to reduce fraud and payment errors; and
- Streamline the Representative Payee Program to better identify potential misuse of benefits.

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 2011, 2012, and 2013. 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.

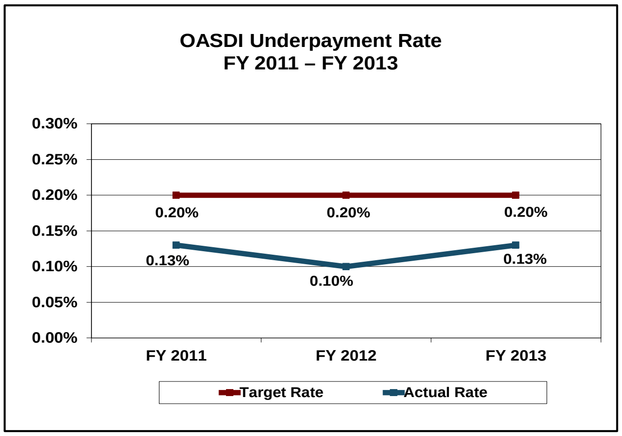
Table 1: OASDI Improper Payments Experience FY 2011 – FY 2013 (dollars in millions)						
	FY 2011		FY 2012		FY 2013	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	$588,865		$643,100		$692,700	
Underpayment Error	$468	0.08%	$517	0.08%	$682	0.10%
Overpayment Error	$653	0.11%	$469	0.07%	$1,100	0.16%
DI						
Total Benefit Payments	$128,086		$127,200		$131,500	
Underpayment Error	$479	0.37%	$223	0.18%	$417	0.32%
Overpayment Error	$1,624	1.27%	$1,239	0.97%	$744	0.57%
Combined OASDI						
Total Benefit Payments	$716,951		$770,300		$824,200	
Underpayment Error	$946	0.13%	$740	0.10%	$1,100	0.13%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	$2,277	0.32%	$1,708	0.22%	$1,900	0.22%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FYs 2011, 2012, and 2013 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 2014 data will not be available until April 2015.
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 2011, +0.07 percent and -0.08 percent for underpayments and ±0.08 percent for overpayments; for FY 2012, +0.05 percent and -0.06 percent for underpayments and ±0.04 percent for overpayments; and for FY 2013, +0.10 percent and -0.13 percent for underpayments and +0.16 percent and -0.17 percent for overpayments.
5. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: 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; and for FY 2013, +0.32 percent and -0.33 percent for underpayments and +0.57 percent and -0.61 percent for overpayments.
6. Changes in the OASDI error rates from FY 2011 to FY 2012 and from FY 2012 to FY 2013 are not statistically significant.

Over the last 5 years (FYs 2009-2013), our stewardship reviews estimate that we paid approximately $3.0 trillion to OASI beneficiaries. Of that total, we estimate $5.0 billion were overpayments, representing approximately 0.16 percent of outlays. We estimate that underpayments during this same period were $2.6 billion, the equivalent of approximately 0.08 percent of outlays.

Applying the same analysis to the DI program, we estimated that we paid $624.8 billion to DI beneficiaries over the last 5 years (FYs 2009-2013). Of that total, we estimate $6.1 billion were overpayments, representing approximately 0.98 percent of outlays. We estimate underpayments during this same period totaled $2.6 billion, the equivalent of approximately 0.41 percent of outlays.



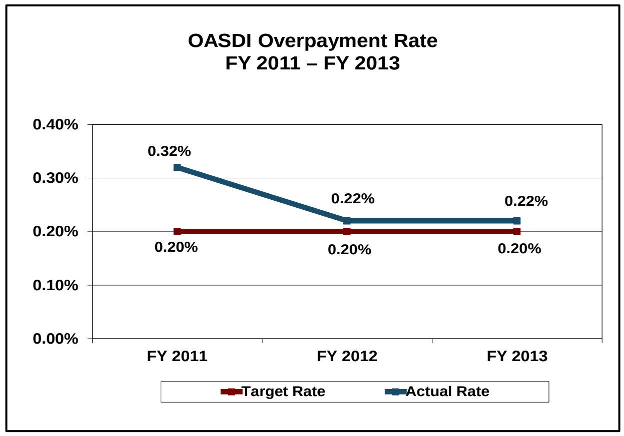


Table 2 presents our accuracy targets for FYs 2014, 2015, and 2016 for the OASDI programs. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

Table 2: OASDI Improper Payments Reduction Outlook
FY 2014 – FY 2016
(dollars in millions)

	FY 2014 Target		FY 2015 Target		FY 2016 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Benefit Payments	$840,639		$887,509		$939,202	
Underpayments	$1,681	0.20%	$1,775	0.20%	$1,878	0.20%
Overpayments	$1,681	0.20%	$1,775	0.20%	$1,878	0.20%

Notes:

1. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
2. FY 2014 data will not be available until late April 2015; therefore, the rates shown are targets.
3. Total benefit payments for FYs 2014-2016 are estimates consistent with projections for the Mid-Session Review of the President's FY 2015 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 2013

	% of Improper Payments	Major Types of Errors
Administrative and Documentation Errors	66%	Incorrect computations, onset dates, and earnings history
Verification and Local Administration Errors	26%	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
Authentication and Medical Necessity Errors	8%	Relationship/dependency errors and failure to report cessation of full-time attendance for students

Notes:

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

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

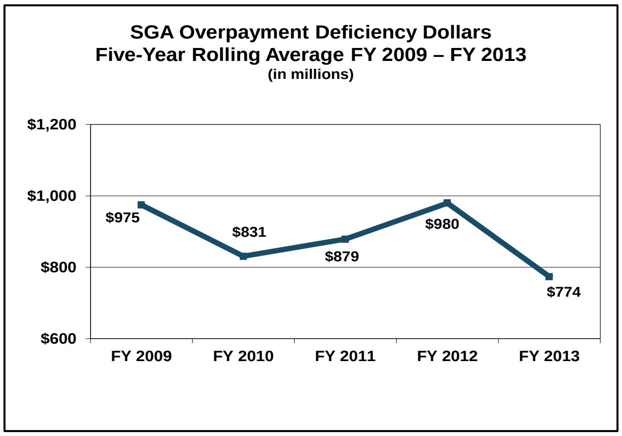
Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are SGA and errors in computations. The major cause of underpayments is errors in computations. (Note: A definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html.)

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
Audit Recommendation		
To minimize improper payments, we agreed with an audit recommendation to make it a priority to identify cases where we failed to terminate the disability payments following medical cessation determinations.	Ongoing	In April 2014, we initiated a new computerized selection process to identify cases with medical cessations where benefits are continuing. We are working on corrective actions on the cases identified and enhancing our automated solutions to prevent such errors in the future.
Predictive Model		
We conducted the Continuing Disability Reviews Enforcement Operation (CDREO) 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 CDREO Predictive Model.	Completed June 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.

Table 4: SGA – Corrective Actions		
Description	**Target Completion**	**Status**
We evaluated work Continuing Disability Reviews (CDR) selected by the CDREO Predictive Model for the first six months following national implementation.	Completed February 2014	In the first 6 months after we implemented the predictive model nationally, we ceased the benefits of nearly 8,200 beneficiaries and processed the resulting overpayments from work CDRs selected by the CDREO Predictive Model. Of those, we ceased about 44 percent within the first 90 days, compared to only 30 percent ceased within the first 90 days from CDRs selected without the predictive model.
We evaluated all work CDRs selected in FY 2013, including those selected outside of the CDREO Predictive Model.	Completed July 2014	The following results compare all work CDRs selected in FY 2013 before and after national implementation of the CDREO Predictive Model: • Average number of months a beneficiary was overpaid decreased from 18 months to 14 months. • Average overpayment amount per overpaid working DI beneficiary decreased from approximately $20,000 to $16,000. • Total overpayments due to work decreased from approximately $1.5 billion to $1.0 billion.
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.	July 2015	We used our predictive model to identify approximately 15,000 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 with a smaller sample. We continued the pilot by drawing a larger sample in October 2013. The June 2014 evaluation found promising results from the processing that ended April 2014. We continued to pilot by selecting a new sample in October 2014, and we will analyze the data 90 days after the pilot ends in April 2015. The evaluation is due July 2015.

Table 4: SGA – Corrective Actions		
Description	**Target Completion**	**Status**
Legislative Proposal		
The President's FY 2015 Budget includes a proposal that would renew and enhance the DI demonstration authority that expired for projects initiated on or after December 18, 2005. This authority will allow us to conduct various demonstration projects. The budget proposal provides new resources for our agency, in partnership with other Federal agencies, to test innovative strategies to help people with disabilities remain in the workforce. Early intervention measures have the potential to achieve long-term gains in the employment and the quality of life of people with disabilities. In addition, the proposed demonstration authority will help build the evidence base for future program improvements.	Pending	No Congressional action to date.
The President's FY 2015 Budget includes a proposal that would restructure the wage-reporting process by requiring employers to report wages quarterly instead of annually. The proposal would not affect reporting on self-employment. Increasing the frequency of wage reporting could enhance tax administration and improve program integrity for our OASDI and SSI programs.	Pending	No Congressional action to date.

COMPUTATIONS

DESCRIPTION:

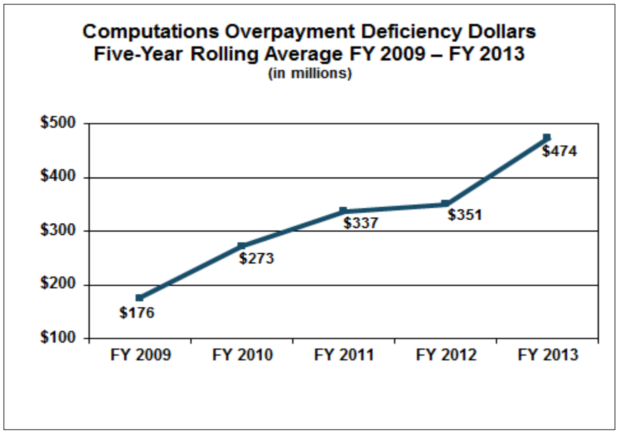
Errors in computations are a major cause of both OASDI overpayments and underpayments.

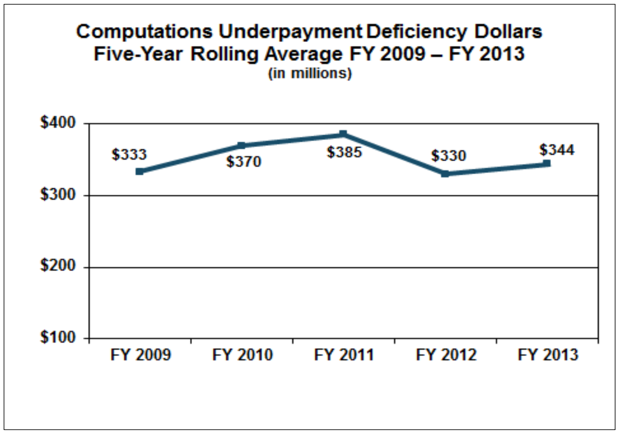
We base a person's benefit amount on a number of factors, including age, earnings history, and the type of benefit awarded.

Inaccurate information or administrative mistakes can cause errors in calculating benefits. For FYs 2009-2013, approximately 58 percent of the computation errors resulted in overpayments, with the leading causes being the Windfall Elimination Provision (WEP) (Note: A definition of WEP is available at: www.socialsecurity.gov/pubs/10045.html) adjustment of the reduction factor computation, and the failure to apply the Retirement Insurance Benefit Limitation (RIB-LIM) when applicable. RIB-LIM applies when a deceased beneficiary received a reduced retirement benefit. Under RIB-LIM, the maximum benefit for a surviving spouse or surviving divorced spouse is limited to what the deceased beneficiary would receive if he or she were still alive.

Approximately 42 percent of computation errors from FYs 2009-2013 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 we can improve accuracy 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 and analysis for the system correction began in FY 2014.
Introduce an inline quality review in our processing centers.	July 2015	Through the end of FY 2014, we had implemented an inline quality review process in four of our processing centers. If we find that our payment and processing accuracy improves in these processing centers, we will implement the inline review process in the three remaining processing centers as well.

Pursue potential entitlement workloads.	Completed September 2014
	
	Completed March 2014
	
	FY 2015
		In FY 2014, we evaluated the following initiatives:
		• Outstanding Potential Entitlement Referral Account Cases: We identified SSI recipients who are potentially entitled to OASDI benefits.
		  o Through September 2014, we reviewed 184 cases and entitled 57 individuals to OASDI benefits.
		• We identified widows potentially entitled to higher benefits on the record of a former spouse, who is now deceased.
		  o In March 2014, we sent letters to over 2,800 widows, informing them of their higher potential benefits. Through September 2014, over 500 widows have filed for benefits and are currently receiving an average monthly increase of $708.
		• Veteran's Pension Referral: We identified SSI recipients who were scheduled for a redetermination in FY 2014 and were possibly eligible for a veteran's pension.
		  o Through September 2014, we reviewed over 5,400 cases out of 5,748 identified. Of those, we referred over 4,200 to the VA.

Table 5: Increase Post-Entitlement Accuracy		
Description	**Target Completion**	**Status**
The President's FY 2015 Budget includes a proposal to develop automated data exchanges for States and local governments to submit information on pensions based on work not covered by Social Security. The proposal includes funding for the development and implementation of the necessary data exchanges. Receiving this pension information in a timely manner would help us avoid improper payments created when we do not know a beneficiary is receiving a pension that makes WEP and GPO applicable.	Pending	No Congressional action to date.

IMPROPER PAYMENTS IN THE SSI PROGRAM

EXPERIENCE AND OUTLOOK

Table 6 shows the improper payment rates for the SSI program for FYs 2011, 2012, and 2013. We calculate the overpayment rate by dividing overpayment dollars by dollars paid, and the underpayment rate by dividing underpayment dollars by dollars paid.

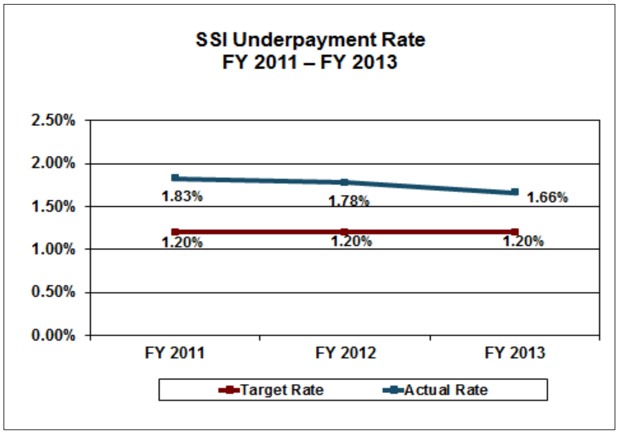
Table 6: SSI Improper Payments Experience
FY 2011 – FY 2013
(dollars in millions)

	FY 2011	FY 2012	FY 2013
Total Federally Administered Payments			
Dollars	$51,654	$53,411	$55,350
Underpayments			
Dollars	$947	$948	$918
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.83%	1.78%	1.66%
Overpayments			
Dollars	$3,791	$3,387	$4,189
Target Rate	≤6.70%	≤5.00%	≤5.00%
Actual Rate	7.34%	6.34%	7.57%

Notes:

1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
2. FY 2014 data will not be available until April 2015.
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 2011, ±0.38 percent for underpayments and ±1.08 percent for overpayments; for FY 2012, ±0.53 percent for underpayments and ±1.78 percent for overpayments; and for FY 2013, ±0.45 percent for underpayments and ±1.83 percent for overpayments.
5. The decrease in SSI overpayment accuracy from FY 2012 to FY 2013, though not statistically significant, was due primarily to increases in financial account and in-kind support and maintenance (ISM) overpayment deficiency dollars in FY 2013.

Over the last 5 years (FYs 2009-2013), our stewardship reviews estimate that we paid approximately $258.7 billion to SSI recipients. Of that total, we estimate $18.7 billion were overpayments, representing about 7.2 percent of outlays. We estimate that underpayments during this same period were $4.8 billion, the equivalent of approximately 1.9 percent of outlays.



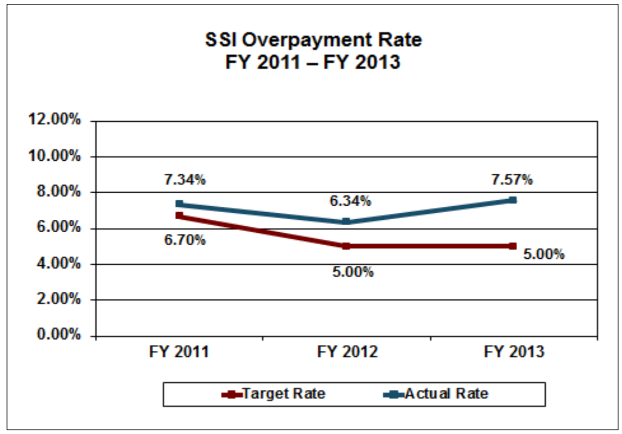


Table 7 shows our target accuracy goals for FYs 2014, 2015, and 2016 for the SSI program.

Table 7: SSI Improper Payments Reduction Outlook FY 2014 – FY 2016 (dollars in millions)

	FY 2014 Target		FY 2015 Target		FY 2016 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Federally Administered Payments	$57,364		$58,418		$60,118	
Underpayments	$688	1.20%	$701	1.20%	$721	1.20%
Overpayments	$2,868	5.00%	$2,921	5.00%	$3,006	5.00%

Note:

1. Total federally administered SSI payments are estimates consistent with projections for the Mid-Session Review of the President's FY 2015 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 2013

	% of Improper Payments	Major Types of Errors
Verification and Local Administration Errors	58%	Detection of unreported financial accounts and wages
Authentication and Medical Necessity Errors	30%	Existence or changes to living arrangements and ISM
Administrative and Documentation Errors	12%	Incorrect computations, misapplication of an income or resource exclusion, and wrong month of change

Notes:

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

- **Verification and Local Administration Errors** are 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 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 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., individuals 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 report changes on time in any of these factors (e.g., an increase of their resources or a change in their wages). Failure to report such 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;
- ISM; and
- Other real property (i.e., ownership of non-home real property).

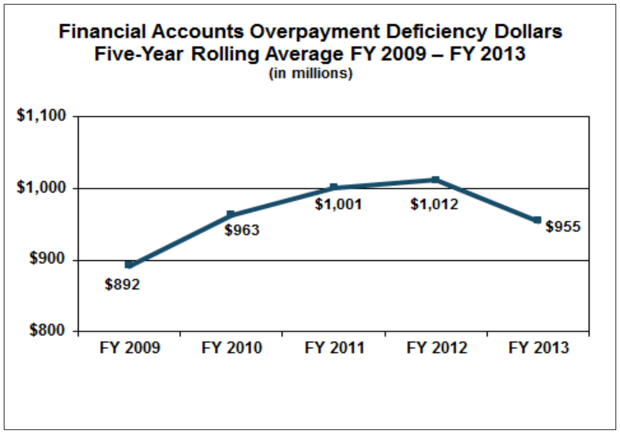
Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Information for the corrective action for living arrangements is in the SSI Corrective Actions section for ISM.

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., a review of 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

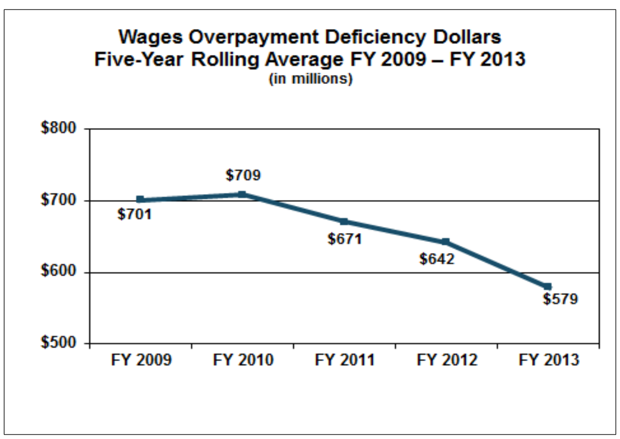
Description	Target Completion	Status
Expand use of AFI and increase the number of undisclosed bank account searches.	Completed October 2013	Based upon a return-on-investment analysis, we committed resources to use AFI in more SSI applications and redeterminations to verify financial accounts. We further lowered the AFI threshold to verify liquid financial resources and increased undisclosed bank account searches.
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance.	December 2014	Planning and analysis to evaluate the effect of expanded AFI use began June 2014.
Begin the next five-year AFI contract.	January 2015	The current five-year AFI contract expires June 2015. We developed a statement of work and expect an award for the next contract in January 2015.

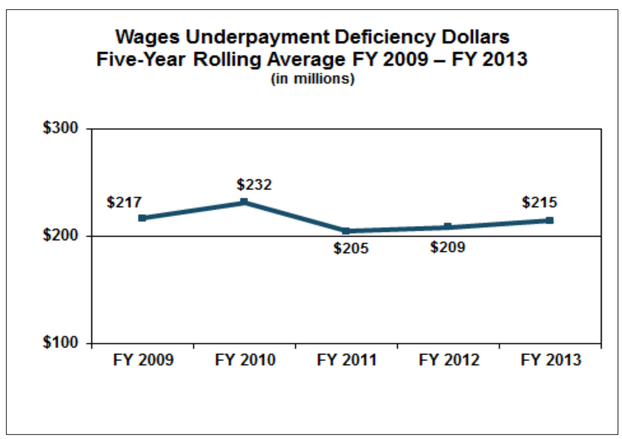
WAGES

DESCRIPTION:

For more than a decade, wage discrepancies have been one of the leading causes of SSI 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 self-report wages to us on time, 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 us to use the wage information we obtain from these sources more efficiently. We will pursue legislative authority that will permit us to automate the process of obtaining wage information and adding wage information to our systems, thereby conserving administrative resources and reducing improper payments.

We developed 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 educational resources that field offices (FO) give recipients 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 to 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 use those automated reporting tools 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 we post the wage amounts to the individual's record in a timely manner.

- SSI Mobile Wage Reporting Smartphone Application

  Beginning in December 2012, 50 FOs across all 10 regions began a pilot project for mobile wage reporting. This initiative allowed SSI recipients, representative payees, and deemors to use their smartphones to report a prior month's 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 nearly 270 participating FOs in March 2013. The expanded phase of the pilot was successful as well, 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 continue to successfully increase the number of wage reports SSI recipients submit using our automated SSI wage reporting systems. In September 2014, we processed over 64,300 successful automated wage reporting transactions.

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

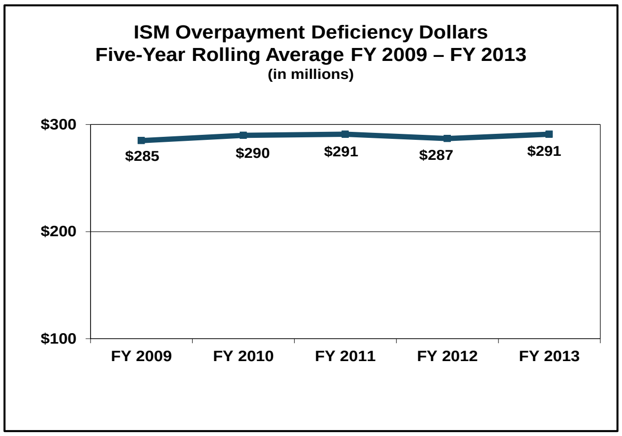
Table 10: Wages – Corrective Actions		
Description	**Target Completion**	**Status**
Explore using wage information we receive from other sources for timely and accurate wage reports. Request that applicants for SSI provide their consent for us to obtain information from other sources. Modify our policy and supporting operating process to allow the use of wage information we obtain from those sources. Automate the process of obtaining wage information and adding wage information to our systems, thereby conserving administrative resources and reducing improper payments.	Ongoing	We began planning in FY 2014 and will continue in FY 2015.

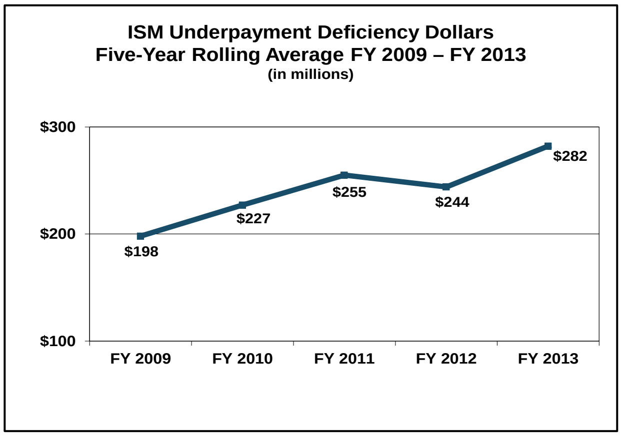
IN-KIND SUPPORT AND MAINTENANCE

DESCRIPTION:

ISM is unearned income in the form of food or shelter received. Underpayments can occur when the recipient's ISM amount is less than the amount used to calculate his or her monthly payment. Overpayments can occur when the recipient fails to report ISM. 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 11 shows our actions to reduce errors stemming from ISM.

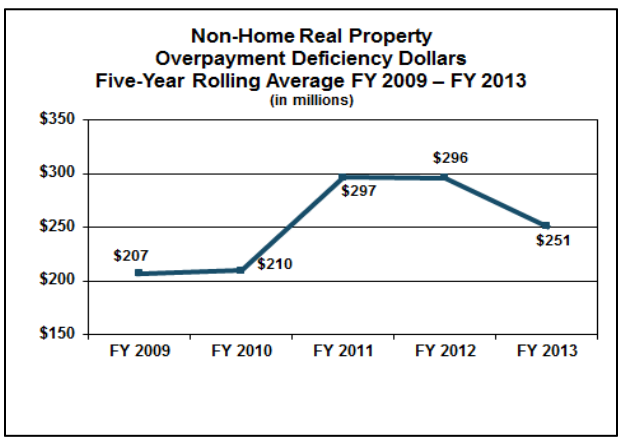
Table 11: ISM – Corrective Actions		
Description	**Target Completion**	**Status**
Statutory, Regulatory, Policy and Procedure Review		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	As a result of our reviews, 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.

OTHER REAL PROPERTY

DESCRIPTION:

Undisclosed non-home real property is a leading cause of improper overpayments in the SSI program. For the last 5 years, stewardship reviews identified real property as the fourth leading cause of SSI overpayments, with average projected improper payments of $251 million in SSI overpayments. SSI ineligibility may result if the recipient is the owner of real property other than his or her principal place of residence, and the equity value exceeds the resource limit. We currently rely on the applicant or recipient to report ownership of non-home real property. Our corrective actions, discussed on the following page, are designed to identify undisclosed property owned by the recipient or deemor.

HISTORICAL FIGURES:



CORRECTIVE ACTIONS:

Real property ownership information is available publicly and property information for all 50 States is available through commercial data providers (e.g., *LexisNexis/Accurint*). To test the feasibility of using a commercial provider to identify real property, we began a study for SSI claims and redeterminations.

Table 12 shows our actions to reduce errors related to non-home real property.

Table 12: Other Real Property – Corrective Actions

Description	Target Completion	Status
Test in 100 FOs to determine the cost benefit of using *LexisNexis/Accurint* during initial claims interviews to identify real property owned by applicants or deemors that result in ineligibility for SSI.	Completed September 2013	FOs screened over 23,000 initial SSI claims against real property data in *LexisNexis/Accurint*. We analyzed the data to determine the cost benefit of using *LexisNexis/Accurint*, including improper payments prevented and time our FOs spent to query and review the real property data. We released our findings in December 2013, and we estimate a return on investment of approximately $2.4 for every dollar spent.
Test during high-error redetermination interviews (in the same 100 FOs) the use of *LexisNexis/Accurint* data to identify improper payments due to non-home real property ownership.	Completed September 2014	We began this study in December 2013, and it concluded in June 2014. We analyzed the data from over 19,000 redeterminations and delivered our findings and recommendations, along with the initial claims findings, in September 2014. We estimate a return on investment of approximately $18 for every dollar spent.
Based on test findings, integrate third-party non-home real property data for use during SSI initial claims and redetermination interviews.	TBD	The recommendations resulting from the initial claims and redetermination tests require an executive decision to move forward.

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 records are in agreement, reflecting death information accurately, and thereby preventing erroneous payments. We revised 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 being processed effectively and shared between our Numident database and programmatic systems. The Numident is our electronic database of our records of Social Security numbers (SSN) 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 and for whom we did not receive a notification of death;

- 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 improve the sharing of 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.	Ongoing	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. In FY 2013, we terminated approximately 9,200 records using the new code. In FY 2014, we manually terminated approximately 7,000 beneficiaries.
Conduct Numident death match reviews.	Completed June 2013	We released alerts to our FOs 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. From June 2013 through the end of FY 2014, our FOs have resolved over 89,000 alerts generated from the Numident death match.
Death Alert, Control, and Update System redesign.	September 2016	The Death Processing Redesign is a multi-year project to improve our death report processing. The redesign will make improvements affecting multiple systems to reduce improper payments. In FY 2014, we created new intelligent, web-based death entry screens known as the Death Information Processing System (DIPS). These screens will enforce death policy, enhance security, and reduce keying errors. In FY 2015, we plan to interface DIPS with additional agency applications.

In addition to our efforts listed above, while performing our study on centenarians (i.e., individuals who are at or near 100 years of age) in 2012, we found several deceased widows still receiving OASDI payments many years after their date of death. In these cases, the beneficiary's own account number (BOAN) was missing from the Master Beneficiary Record (MBR) on the SSN where benefits were paid. When this condition exists, we face an increased likelihood that we may make improper payments after death because the SSN on the auxiliary or survivor death record has no direct link to the MBR. We searched the entire MBR and identified 5,125 aged spouses or widows receiving benefits who did not have a BOAN established on the SSN on which they are receiving benefits. Our field sites have completed the initial analysis of the cases.

Our June 2014 report, *Entitled Aged Spouses or Widows Without Their Own Social Security Numbers on the Master Beneficiary Record*, details our efforts to resolve the cases identified in our MBR search. In summary, almost all of the beneficiaries still alive and receiving monthly benefits now have their BOAN posted to the MBR. Ongoing incorrect monthly benefits paid to deceased beneficiaries have stopped. This cleanup lessened the likelihood of improper payments occurring in the future due to a reported death that cannot match an SSN on the MBR. This was a one-time cleanup operation since a BOAN should now be present on the MBR. Beneficiaries are now required to have, or have applied for, an SSN when filing for OASDI benefits.

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 implemented a new process to ensure that FO 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 FO staff.
Evaluate the effectiveness of the new process we implemented nationally.	December 2014	In April 2014, we completed a preliminary evaluation report covering implementation through January 2014. We expect a final evaluation report of the new process at the end of first quarter FY 2015. The extended evaluation period provides for a more comprehensive measure of the effectiveness of the new procedure.

NATIONAL ANTI-FRAUD COMMITTEE

For many years, our regional offices have successfully collaborated with regional Office of the Inspector General agents and local law enforcement on regional anti-fraud committees (RAFC). We reinstated the National Anti-Fraud Committee (NAFC), co-chaired by the Inspector General and our Deputy Commissioner for Budget, Finance, Quality, and Management. The NAFC leads and supports national and regional strategies to combat fraud, waste, and abuse. Support includes, but is not limited to, the following:

- Provide an open forum for agency senior executives to collaborate and develop agency-level strategies to address fraud challenges;
- Consider best practices, benchmarking, and new or evolving technology and analytical techniques to help prevent and detect fraud;
- Ensure that the agency addresses the most critical vulnerabilities related to fraud;

- Evaluate potential anti-fraud initiatives introduced by the RAFCs, workgroups, and employee suggestions; and
- Visibly demonstrate the agency's commitment to combatting fraud and fostering public confidence in the stewardship of our programs.

Co-chairs of the NAFC meet periodically to ensure sustained attention on anti-fraud efforts. Full NAFC meetings convene on an ad hoc basis, or at least quarterly. At any time, members may ask the co-chairs to call a meeting to discuss issues that require agency level attention. On September 18, 2014, the NAFC co-chairs hosted a National Anti-Fraud Conference to share best practices and results of anti-fraud initiatives with the RAFCs. Additional information on this activity is reported in our *Systems and Controls* section of this document.

DO NOT PAY INITIATIVE

Section 5(a)(2) of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) states that Federal agencies should review, prior to any payment and award, as appropriate, the databases within the Do Not Pay (DNP) Initiative. IPERIA Section 5(d)(3) also states that, by June 1, 2013, agencies must match their payments against DNP databases.

The Department of the Treasury's (Treasury) DNP system data sources available during FY 2014 that are applicable to our OASDI and SSI benefit payments include the General Services Administration's Excluded Parties List System (EPLS), our public version of the Death Master File (DMF), and prisoner information. Below we describe our planned use of EPLS and our production of the DMF and Prisoner Update Processing System (PUPS), therefore, precluding our use of the Treasury DNP system at this time.

Excluded Parties List System: Prior to making an award to a contractor, we use the General Services Administration's System for Award Management to determine a contractor's eligibility. We do not award contracts where prior bad performance is in question.

List of Excluded Individuals/Entities (LEIE): We currently comply with regulations to use the HHS's LEIE, which accomplishes the same purpose as EPLS. As prescribed in our policy, the State disability determination services (DDS) are required to check LEIE at least annually. LEIE includes the names of providers excluded from federally funded health care programs. The DDSs also verify medical licenses, credentials, and certifications with State medical boards. In addition, because the DDSs are State agencies, they do not have direct access to DNP.

Death Master File: We provide the public DMF for DNP. The DMF is an extract of death information created from our own internal records (i.e., the Numident). These records contain basic information, such as name, date of birth, place of birth, and date of death for every SSN holder. We update death information on the Numident daily based on information from acceptable reporters (e.g., States, funeral homes, and family members). We disperse reported death information to our related records using a complex systems interface.

We produce both the public DMF and a full file of death information. The full file of death information contains State-reported death data, and as mandated by Section 205(r) of the *Social Security Act*, we share it with a limited number of Federal agencies. The public DMF, used for the Treasury DNP system, does not currently contain State death information.

Prisoner Information: To comply with the *Bipartisan Budget Act of 2013*, we collaborated with Treasury to provide current prisoner information starting in FY 2014 for purposes of DNP. We will share our prisoner information with Treasury in two phases. In Phase 1, we will share our current prisoner information, and in Phase 2, we will provide current and additional data elements. In September 2014, we sent approximately 5.6 million records extracted from PUPS, and over 7,600 records with prisoner facility contact information from the Incarceration Reporting and Control System (IRCS). In FY 2015, we will send Treasury daily Numident-screened prisoner records (approximately 12 million records annually) and over 7,000 facility contact information records from IRCS weekly.

OUR ACTIONS AND THEIR FREQUENCY TO PREVENT IMPROPER PAYMENTS

We have pre- and post-payment internal controls for our benefit payment records including:

Pre-payment Internal Controls: Benefit Payment Intercept Process

We continuously screen beneficiary payment records for any adverse information that prohibits issuing benefit payments (e.g., reliable reports of death, incarceration, and overpayments). When we identify these situations, we systematically intercept and hold the monthly benefit payments until we review the case. Historically, we have performed payment intercepts for each monthly payment cycle; however, we did not capture management information until FY 2014. The table below contains payment intercept information reported in January 2014 through September 2014.

Table 15: OASDI Payment Intercepts
(dollars in millions)

Type of Payment	Number of Payments Intercepted Due to Death	Amount of Payments Intercepted Due to Death	Number of Payments Disbursed	Amount of Payments Disbursed	Percent of Intercepted Payments	Percent of Intercepted Dollars
OASDI	355,984	$436.13	524,045,440	$571,431.40	0.07%	0.08%

Notes:

1. This table represents OASDI payment intercepts for benefits payable January 2014 through September 2014.
2. The Percent of Intercepted Payments and the Percent of Intercepted Dollars represents the percentage of total payments **before** we apply our intercept process, not the percentage of total payments after we intercept payments.
3. Monthly reports are generated the month after the benefits are payable. For example, any payments intercepted from the December 2013 benefits are shown in the January 2014 intercept report.
4. If we discover a suspension or termination event after the creation of our payment files, our intercept process prevents issuance of that payment.

Similar to OASDI, prior to creating our payments files, we continuously check the SSI records for any adverse information that would prohibit issuing benefit payments.

Post-payment Internal Controls: We have several post-payment internal controls to track and resolve discrepancies related to allegations of death, including:

- The Numident Death Match – This match identifies discrepancies between the Numident and our payment records, which results in monthly alerts that feed into the Death Alerts Tracking System (DATS). We use DATS to resolve these alerts and stop paying benefits, if appropriate.
- The Death Alert Control Update System – This system captures death data, which updates the Numident via batch processing.
- The Electronic Death Record Process – This system verifies recorded death data to check the deceased person's SSN and other information against the Numident. Our system performs this check in real-time.

RECOVERY OF OVERPAYMENTS DUE TO DEATH

The Federal Government uses the reclamation process to recover benefit payments paid via direct deposit to the financial account of a beneficiary who died, became legally incapacitated, or a beneficiary who died before the date of the payment(s). To recover OASDI and SSI payments funds from U.S. financial institutions, we must send reclamation requests within 120 days of the date we learned of a beneficiary's death. A financial institution may protest any reclamation if it believes we did not initiate reclamations timely.

For overpayments due to death that we paid the beneficiary by paper check, we have procedures for recovering both OASDI and SSI improper payments. Below are examples of our actions.

If the overpaid OASDI beneficiary is deceased, we attempt to recover the overpayment by:

- Withholding any underpaid benefits due the deceased beneficiary;
- Withholding any lump-sum death payment payable to individuals on the same earnings record;
- Proposing adjustment against any person who was living in the same household and receiving benefits on the overpaid individual's earnings record at the time the overpaid individual died; or
- Sending a letter to the endorser or the deceased's estate requesting repayment.

If the overpaid SSI recipient is deceased, we will notify the estate of the overpayment and seek recovery from:

- A liable representative payee;
- A liable spouse;
- A sponsor of an alien recipient (under certain circumstances); or
- Any individual who committed fraud to cause the overpayment.

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 $3.32 billion in OASDI and SSI benefit overpayments in FY 2014 at an administrative cost of $0.07 for every dollar collected. We collected $16.38 billion over a 5-year period (FYs 2010-2014). Since 2004, our cumulative recoveries are $30.98 billion for OASDI and SSI benefit overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and follow-up), 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. From 1992 through September 2014, our external collection techniques have yielded $5.170 billion in benefit overpayment recovery. Table 17 provides a description of each of our external collection techniques and a summary of the results.

We suspend or terminate collection activity in accordance with the authority granted by the U.S. 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.

We developed a system to handle the 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. In April 2014, some members of the public alleged that they received no prior notice that Treasury would offset their eligible payments to recover their delinquent overpayments. In response to the allegations, effective April 14, 2014, our Acting Commissioner ordered a halt of TOP referrals for debts 10 years or more delinquent, pending a thorough review of our responsibility and discretion under the law. We concluded our preliminary review in July 2014. Through our preliminary review, we determined that we correctly applied our regulations, policies, and procedures when we referred delinquent debts to 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

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 intend to:

- Resume initial notification to all debtors with debts delinquent 10 years or more; 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 16 shows enhancements to improve our OASDI and SSI debt recovery efforts.

Table 16: Collecting Debt – Corrective Actions

Description	Target Completion	Status
Collect delinquent OASDI and SSI debts through TOP/SRP.	September 2015	We implemented the required systems enhancements in 2013. We began sending mandatory notification to delinquent debtors in October 2013.
Complete initial notification to debtors for delinquent debts 10 years or older for possible use of TOP to recover the debts.	TBD	We intend to resume our TOP notifications to debtors for delinquent debts 10 years or older in FY 2015.

Table 17 shows the external collection techniques we use to recover OASDI and SSI overpayments.

Table 17: Cumulative Programmatic Debt Recovery Methods Through FY 2014
(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 $205.8 million in FY 2014 through this initiative.	$1.567	$0.992	$2.559
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 $70.6 million in FY 2014.	$0.502	$0.355	$0.857[1]
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 $146.3 million[2] through cross-program recovery in FY 2014.	$0.203	$0.899	$1.102
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 2014.	$0.033	N/A	$0.033[3]
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 (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions) pay. We collected $16.9 million through this process in FY 2014.	$0.124	$0.025	$0.149
Automatic Netting SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $122.6 million in FY 2014.	N/A	$1.360	$1.360
Total			$1.894	$3.276	$5.170

Notes:

1. Credit bureau reporting is a subset of TOP collections.
2. The cross-program recovery total for FY 2014 includes all cross-program recoveries; however, the cumulative cross-program recovery totals include only those totals we can track since inception.
3. NED is a subset of TOP and AWG collections.

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 FOs, processing centers, and State DDSs, 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; both 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 18-20 show our OASDI and SSI overpayment experience, inclusive of improper payments.

Table 18: FY 2014 Payment Recapture Audit Reporting Benefit Payments[1,8] (dollars in millions)		
Type of Payment	**OASDI**	**SSI**
Amount Subject to Review for Current Year (CY) Reporting[2]	$11,086.9	$10,512.1
Actual Amount Reviewed and Reported CY[2]	$11,086.9	$10,512.1
Amount Identified for Recovery CY[2]	$11,086.9	$10,512.1
Amount Recovered CY[3]	$2,117.3	$1,198.2
Percent of Amount Recovered Out of Amount Identified CY	19%	11%
Amount Outstanding CY[4]	$8,969.6	$9,313.8
Percent of Amount Outstanding Out of Amount Identified CY	81%	89%
Amount Determined Not to be Collectable CY[5]	$449.3	$318.7
Percent of Amount Determined Not to be Collectable Out of Amount Identified CY	4%	3%
Amounts Identified for Recovery Prior Years (PY)[6]	$8,156.8	$8,228.0
Amounts Recovered PYs[3]	$2,117.3	$1,198.2
Cumulative Amounts Identified for Recovery (CY + PYs)[2]	$11,086.9	$10,512.1
Cumulative Amounts Recovered (CY + PYs)[3]	$2,117.3	$1,198.2
Cumulative Amounts Outstanding (CY + PYs)[7]	$8,969.6	$9,313.8
Cumulative Amounts Determined Not to be Collectable (CY + PYs)[5]	$449.3	$318.7

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 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 were not recovered or were determined to be uncollectable. Debts identified in FY 2014 were $2,930.1 million for OASDI and $2,224.0 million for SSI.
3. The amounts reported are FY 2014 recoveries from debt we had available for recovery in FY 2014, 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 uncollectable 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).”
8. There may be slight variances in the dollar amounts and percentages due to rounding of the source data.

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 2015-2017 are based on our FY 2014 experience. We will not achieve OMB's annual payment recapture target rate of 85 percent.

Factors beyond our control affect our payment recapture recovery targets. For example, the state of the economy affects the 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 19: FY 2014 Payment Recapture Audit Targets
Benefit Payments
(dollars in millions)

Type of Payment	FY 2014 Amount Identified	FY 2014 Amount Recovered	FY 2014 Recovery Rate (Amount Recovered/ Amount Identified)	FY 2015 Recovery Rate Target	FY 2016 Recovery Rate Target	FY 2017 Recovery Rate Target
OASDI	$11,086.9	$2,117.3	19%	19%	19%	19%
SSI	$10,512.1	$1,198.2	11%	11%	11%	11%

Note:

1. The recovery rate target is based on FY 2014 and prior years' experience and the anticipated growth of our benefit payments in FYs 2015-2017.

Table 20: FY 2014 Aging of Outstanding Overpayments
Benefit Payments
(dollars in millions)

Type of Payment	FY 2014 Amount Outstanding (0 to 6 Months)	FY 2014 Amount Outstanding (6 Months to 1 Year)	FY 2014 Amount Outstanding (Over 1 Year)
OASDI	$791.5	$353.9	$1,497.7
SSI	$605.8	$372.4	$2,733.5

Note:

1. The aging of outstanding overpayments begins when the overpayment is delinquent, which is 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 2013 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 an agency's administrative payments are susceptible to significant improper payments, the agency is required to establish an annual improper payment measurement related to administrative payments.

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;
- The size, stability, and complexity of our administrative payment processes;
- The historically low error rate for administrative payments;
- 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 reviewed the agency's Travel and Purchase Card Management Plans required by OMB Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs*. We also leveraged the results of a financial risk assessment conducted by an independent accounting firm in support of our *Federal Managers' Financial Integrity Act* compliance program. This assessment found that our overall risks are low in the areas of administrative expenses and payables as well as human resources and payroll management.

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.

INTERNAL PAYMENT RECAPTURE AUDIT PROGRAM

We segment administrative payments into several categories, as shown in Table 21, to analyze and determine the vulnerability of these outlays to improper payments.

Table 21: FY 2013 Administrative Expenses (dollars in millions)	
Payroll and Benefits	$6,282
State DDS	$2,039
***American Recovery and Reinvestment Act* (ARRA)[1]**	$156
Other Administrative Expenses[2]	$2,954
Total Administrative Expenses	$11,431

Notes:

1. ARRA expenses consist primarily of National Support Center building costs.
2. 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.

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.

We conduct annual payment accuracy reviews. Results from the audit program and quality review process continue to confirm that our administrative payments are well below the OMB threshold for reporting improper payments.

For FY 2013, the internal recovery audit program included a review of $1.351 billion in vendor and travel payments out of $1.629 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 subjected to final contract audit and completed prior to payment of the contractor's final invoice.

We identified total vendor and travel improper overpayments of $0.856 million, approximately 0.05 percent of total payments subject to review. As of the end of FY 2013, $31,148 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. Our recovery goal for all vendor and travel overpayments is 100 percent. We return all amounts recovered to the original appropriation from which the overpayment was made.

Payroll and benefits account for a majority of total administrative expenses. For FY 2013, we found approximately $3.3 million in improper payroll overpayments out of $6,282 million total payroll payments, which yielded a 0.05 percent improper overpayment rate.

Tables 22-24 show the results from our annual payment accuracy reviews for our administrative payments.

Table 22: FY 2013 Internal 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	$6,282	$1,629
Actual Amount Reviewed and Reported CY	$6,282	$1,351
Amount Identified for Recovery CY	$3.346	$0.856
Amount Recovered CY	$1.831	$0.828
Percent of Amount Recovered Out of Amount Identified CY	55%	97%
Amount Outstanding CY	$1.515	$0.028
Percent of Amount Outstanding Out of Amount Identified CY	45%	3%
Amount Determined Not to be Collectable CY	$0.429	$0.001
Percent of Amount Determined Not to be Collectable Out of Amount Identified CY	13%	0.1%
Amounts Identified for Recovery PYs	$10.308	$13.087
Amounts Recovered PYs	$4.726	$12.783
Cumulative Amounts Identified for Recovery (CY + PYs)	$13.654	$13.944
Cumulative Amounts Recovered (CY + PYs)	$6.557	$13.652
Cumulative Amounts Outstanding (CY + PYs)	$7.097	$0.031
Cumulative Amounts Determined Not to be Collectable (CY + PYs)	$2.179	$0.261

Notes:

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 2013 but could have occurred in a prior year.
2. Cumulative Amounts Recovered (CY + PYs) for Vendor and Travel includes $0.040 million of amounts recovered in the current year for amounts identified in prior years.
3. Cumulative Amounts Determined Not to be Collectable (CY + PYs) for Vendor and Travel includes $0.260 million of amounts determined not to be collectable in the current year for amounts identified in prior years.
4. We may compromise, suspend, or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards based on the following criteria:
    1. The cost of collection does not justify the enforced collection of the full amount;
    2. The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
    3. The debt has been discharged in bankruptcy; or
    4. The debtor has requested a waiver or review of the debt, and the agency determines that such request is credible.
5. There may be slight variances in the dollar amounts and percentages due to rounding of the source data.

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. 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 23: FY 2013 Internal Payment Recapture Audit Targets Administrative 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
Payroll and Benefits	$3.346	$1.831	55%	100%	100%	100%
Vendor and Travel	$0.856	$0.828	97%	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 2013, but could have occurred in a prior year.

Table 24: FY 2013 Internal Payment Recapture Audit Aging of Outstanding Overpayments Administrative 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)
Payroll and Benefits	$1.045	$0.574	$1.514
Vendor and Travel	$0.014	$0.012	$0.004

Note:

1. The payroll and benefits aging amounts outstanding over one year only include reductions (collections, write-offs, etc.) through the end of FY 2012.

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 we pay our employees on time, several times a year our business process (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 closeout, which occurs when there is a Monday holiday and closeout is on Friday). 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 orders (funding obligations) for services 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. Because of the time lag between scheduling hearings and paying the respective invoices for services rendered at those hearings, we did not realize full benefit of the enhancement, which was the elimination of improper payments for these invoice types, until FY 2014; and
- After early closeout of time and attendance, agency personnel, including employees, timekeepers, and certifiers identify corrective actions. For example, if early closeout occurs on Friday and the employee works overtime on Saturday, we process an amendment to correct the employee's time sheet. Although an improper payment may result, early closeout is a standard agency business practice and does not require corrective action.

INDEPENDENT PAYMENT RECAPTURE AUDIT

To further strengthen our internal controls, in November 2011, 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 in August 2013. Of $23,282 million in payments reviewed, the auditors identified, and we confirmed by May 2014, improper payments totaling $29,191, approximately 0.00013 percent of the payments reviewed. By June 2014, we collected 100 percent, $29,191, of the amounts identified for recovery. In accordance with the contract, by July 2014, we reimbursed the independent auditors 18.5 percent or $5,400, of the amount collected. We returned all amounts recovered, and charged the auditors' fee against the original appropriations from which the overpayments were made in compliance with IPERA.

ADMINISTRATIVE PAYMENT RECAPTURE AUDIT REPORTING

Tables 25-27 show the results from our independent payment recapture audit for our administrative payments.

Table 25: FY 2014 Independent Payment Recapture Audit Reporting Administrative Payments
(dollars in millions)

Type of Payment	Payroll and Benefits	State DDS	Vendor and Travel
Amount Subject to Review for CY Reporting	$18,572	$146	$4,563
Actual Amount Reviewed and Reported CY	$18,572	$146	$4,563
Amount Identified for Recovery CY	$0.000	$0.022	$0.007
Amount Recovered CY	$0.000	$0.022	$0.007
Percent of Amount Recovered Out of Amount Identified CY	0%	100%	100%
Amount Outstanding CY	$0.000	$0.000	$0.000
Percent of Amount Outstanding Out of Amount Identified CY	0%	0%	0%
Amount Determined Not to be Collectable CY	$0.000	$0.000	$0.000
Percent of Amount Determined Not to be Collectable Out of Amount Identified CY	0%	0%	0%
Amounts Identified for Recovery PYs	N/A	N/A	N/A
Amounts Recovered PYs	N/A	N/A	N/A
Cumulative Amounts Identified for Recovery (CY + PYs)	$0.000	$0.022	$0.007
Cumulative Amounts Recovered (CY + PYs)	$0.000	$0.022	$0.007
Cumulative Amounts Outstanding (CY + PYs)	$0.000	$0.000	$0.000
Cumulative Amounts Determined Not to be Collectable (CY + PYs)	$0.000	$0.000	$0.000

Notes:

1. The “Actual Amount Reviewed and Reported CY” for the State DDSs consisted of a sample of two States, Florida and North Carolina. The independent auditors reviewed the medical evidence of record and consultative examination payments only.
2. Independent auditors conducted the payment recapture audit November 7, 2011 through August 5, 2013. By June 2014, we confirmed and recovered 100 percent of the amounts identified for recovery.
3. There may be slight variances in the dollar amounts and percentages due to rounding of the source data.

Table 26: FY 2014 Independent Payment Recapture Audit Targets Administrative Payments (dollars in millions)						
Type of Payment	**FY 2014 Amount Identified**	**FY 2014 Amount Recovered**	**FY 2014 Recovery Rate (Amount Recovered/ Amount Identified)**	**FY 2015 Recovery Rate Target**	**FY 2016 Recovery Rate Target**	**FY 2017 Recovery Rate Target**
Payroll and Benefits	$0.000	$0.000	100%	100%	100%	100%
State DDS	$0.022	$0.022	100%	100%	100%	100%
Vendor and Travel	$0.007	$0.007	100%	100%	100%	100%

Note:

1. Currently, we do not have plans for a future independent payment recapture audit, but our target recovery rate remains at 100 percent.

Table 27: FY 2014 Independent Payment Recapture Audit Aging of Outstanding Overpayments Administrative Payments (dollars in millions)			
Type of Payment	**FY 2014 Amount Outstanding (0 to 6 Months)**	**FY 2014 Amount Outstanding (6 Months to 1 Year)**	**FY 2014 Amount Outstanding (Over 1 Year)**
Payroll and Benefits	$0	$0	$0
State DDS	$0	$0	$0
Vendor and Travel	$0	$0	$0

Note:

1. By June 2014, we collected 100 percent of the amounts identified and confirmed for recovery during the independent payment recapture audit; therefore, there are no outstanding overpayments.

MAJOR CAUSE

The independent auditors determined the major cause of improper payments identified during the payment recapture audit resulted from incorrect amounts paid (duplicate payments).

Because we paid 99.99 percent (dollar amounts) of the administrative payments reviewed by the independent auditors accurately, we determined there would be no cost benefit to taking additional corrective actions. Our internal controls, policies, and procedures established to prevent improper payments are working optimally.

Table 28: Administrative Debt Overpayments – Detections and Recoveries
(dollars in millions)

Administrative Debt Overpayments	Amount Identified FY 2014	Amount Recovered FY 2014	Amount Identified FY 2013	Amount Recovered FY 2013	Cumulative Amount Identified FY 2014 and 2013	Cumulative Amount Recovered FY 2014 and 2013
Total	$3.7	$2.0	$1.9	$1.2	$5.6	$3.2

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 we discuss 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 through the following:

- 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 we correct the weaknesses.

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, our 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 tested 100 percent of the HSDR payment population to ensure we used the Disaster Relief Act funds precisely for their intended purposes, and we found no improper payments. Table 29 provides details of our payments from funds provided by the Disaster Relief Act.

Table 29: Disaster Relief Act Funds Improper Payments Experience FY 2013 – FY 2014 Outlays (dollars are actuals)						
	FY 2013		FY 2014		Total FY 2013 & FY 2014	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Travel and Transportation of Persons	$553,029	0.00%	$0	0.00%	$553,029	0.00%
Transportation of Things	$11,553	0.00%	$7	0.00%	$11,560	0.00%
Rent, Telecommunications, and Utilities	$115,770	0.00%	$0	0.00%	$115,770	0.00%
Other Services (Recovery & restoration of folders and building repairs)	$160,379	0.00%	$80,368	0.00%	$240,747	0.00%
Supplies and Materials	$13,916	0.00%	$571	0.00%	$14,487	0.00%
Equipment	$49,499	0.00%	$511	0.00%	$50,010	0.00%
Total Payments	$904,146	0.00%	$81,457	0.00%	$985,603	0.00%

Notes:

1. Total FY 2013 payments represent the total outlays against the obligations.
2. Total FY 2014 payments represent the total outlays in FY 2014 against the FY 2013 obligations.
3. The FY 2013 obligations were for $1,021,379. The current unpaid obligation balance is $35,776.
4. The term “rate” in the above table reflects our error rate.

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. In FY 2014, our budget increased and, as a result, we were once again able to increase the number of full medical CDRs that we process. In FY 2014, we completed over 525,800 full medical CDRs and approximately 2.628 million SSI redeterminations. In addition, we completed approximately 247,200 work CDRs in FY 2014.

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.

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 2015, the funding adjustment authorized is $1.123 billion above the discretionary cap. If appropriated, the total amount of $1.396 billion will enable us to complete 888,000 periodic medical CDRs, an increase of nearly 378,000 from our *FY 2014 Operating Plan* (www.socialsecurity.gov/legislation/Agency Operating Plan FY2014.pdf) target, and continue handling 2.622 million SSI redeterminations, resulting in significant savings of taxpayer dollars. We estimate that our FY 2015 program integrity fund will yield, on average, $9 in net program savings over 10 years for each dollar spent on CDRs, including Medicare and Medicaid program effects, and on average, $4 in savings over 10 years for each dollar spent for SSI redeterminations, including Medicaid program effects.

The President's FY 2015 Budget includes a special legislative proposal that will provide a dependable source of mandatory program integrity funding starting in FY 2016. The funding will enable us to significantly ramp up our program integrity work and allow us to complete 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 completed in FY 2011 and earlier, we estimate that we will achieve significant additional program savings from the President's proposed investment in CDRs. Though our budget situation is improving, we need adequate, sustained funding to continue to increase our program integrity efforts.

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, detect, and recover improper payments, and meet targets to reduce improper payments.

INFORMATION SYSTEMS

The Comprehensive Integrity Review Process (CIRP) 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. CIRP 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.

In September 2013, we implemented the Public Facing Integrity Review system to monitor potentially fraudulent online transactions. We use this tool to investigate suspicious direct deposit transactions made through *my* Social Security online accounts and to take steps to mitigate any losses to our agency and customers. By using our new integrity review system, during FY 2014, we prevented the attempted theft of 4,736 benefit payments for an estimated amount of over $5.6 million.

We are also collaborating with Treasury on fraud detection activities. Together, we are developing a reclamation process to recover funds from financial institutions processing fraudulent automated enrollments for direct deposit of benefit payments. In addition, we are pursuing a specific alleged fraud indicator when individuals report that they did not receive their direct deposit payment. When implemented in FY 2015, this new indicator will provide supporting evidence with which to pursue recovery of misdirected payments.

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 the enactment of Public Law 109-171 amending Section 1633(e) (1) of the *Social Security Act* 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 2012 cases will result in lifetime savings (after all appeals) of:

- $404 million in OASDI benefit payments;
- $77 million in SSI Federal payments;
- $187 million in Medicare benefits; and
- $2 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 2015 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 would renew and enhance the DI demonstration authority that expired with respect to projects initiated on or after December 18, 2005. This authority would allow us to conduct various demonstration projects. In addition to new authority to test early interventions, we would 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 would develop automated data exchanges for States and local governments to submit information on pensions based on work not covered by Social Security. The proposal includes funding for the development and implementation of the necessary data exchanges. Receiving this pension information in a timely manner would 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 would 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 would 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 would also provide pertinent collected information for child support enforcement purposes to the Secretary of HHS.

QUARTERLY FEDERAL WAGE REPORTING

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

MANDATORY PROGRAM INTEGRITY FUNDING

This proposal would repeal our discretionary cap adjustments beginning in FY 2016, 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 would ensure we have the funding necessary to conduct these reviews and reduce our CDR backlog.

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