

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](http://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](http://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.

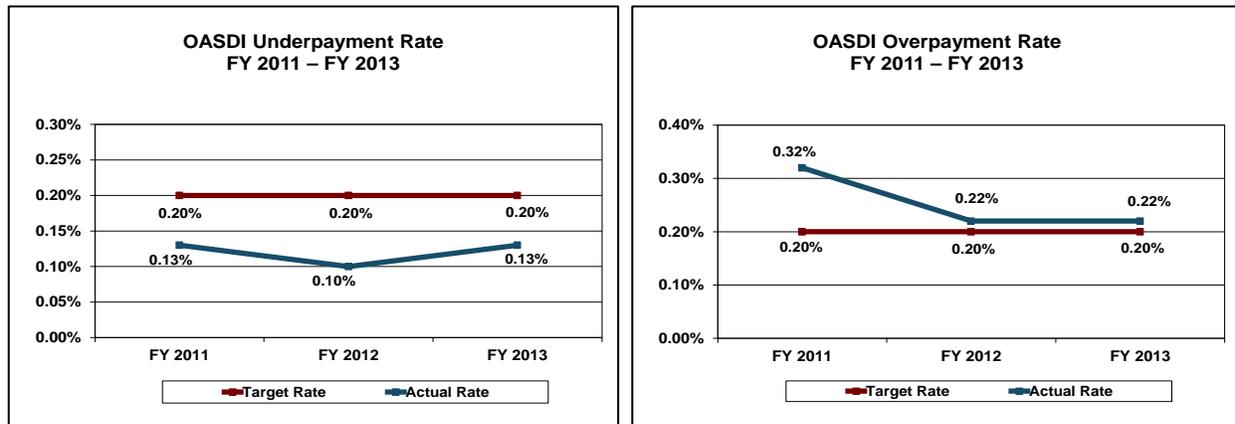


Table 2 presents our accuracy targets for FYs 2014, 2015, and 2016 for the OASDI programs. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

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
<p>Notes:</p> <p>Beginning in 2009, OMB required us to categorize improper payments in our programs into one of three categories as defined below:</p> <ul style="list-style-type: none"> • 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.](http://www.socialsecurity.gov/oact/cola/sga.html))

SUBSTANTIAL GAINFUL ACTIVITY

DESCRIPTION:

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

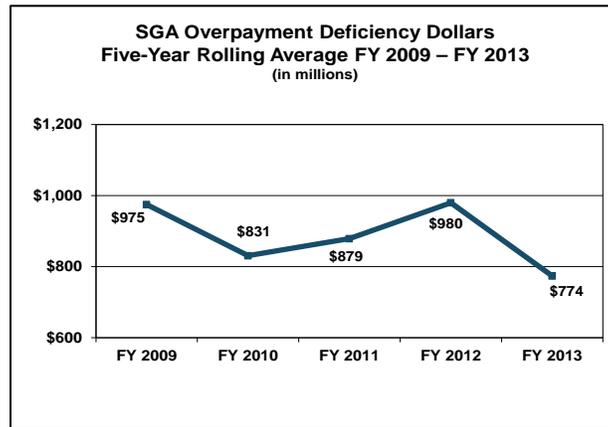
HISTORICAL FIGURES:**CORRECTIVE ACTIONS:**

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

Table 4: SGA – Corrective Actions		
Description	Target Completion	Status
<u>Audit Recommendation</u>		
To minimize improper payments, we agreed with an audit recommendation to make it a priority to identify cases where 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.
<u>Predictive Model</u>		
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	<p>The following results compare all work CDRs selected in FY 2013 before and after national implementation of the CDREO Predictive Model:</p> <ul style="list-style-type: none"> • 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	<p>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.</p> <p>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.</p>

Table 4: SGA – Corrective Actions

Description	Target Completion	Status
<u>Legislative Proposal</u>		
<p>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.</p>	Pending	No Congressional action to date.
<p>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.</p>	Pending	No Congressional action to date.

COMPUTATIONS

DESCRIPTION:

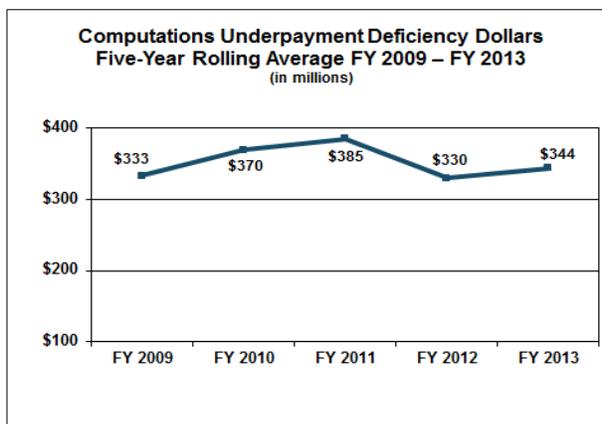
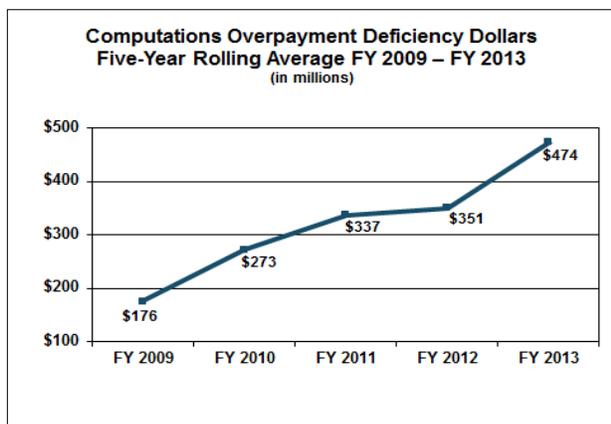
Errors in computations are a major cause of both OASDI overpayments and underpayments.

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](http://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.	<p>Completed September 2014</p> <p>Completed March 2014</p> <p>FY 2015</p>	<p>In FY 2014, we evaluated the following initiatives:</p> <ul style="list-style-type: none"> • Outstanding Potential Entitlement Referral Account Cases: We identified SSI recipients who are potentially entitled to OASDI benefits. <ul style="list-style-type: none"> ○ 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. <ul style="list-style-type: none"> ○ 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. <ul style="list-style-type: none"> ○ 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
<p>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.</p>	<p>Pending</p>	<p>No Congressional action to date.</p>

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:			
<ol style="list-style-type: none"> 1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays. 2. FY 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.

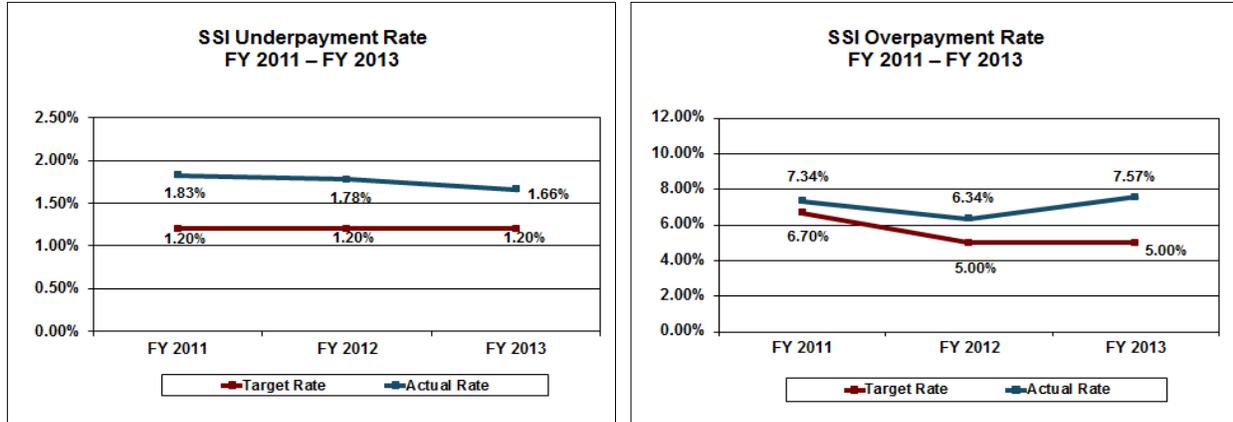


Table 7 shows our target accuracy goals for FYs 2014, 2015, and 2016 for the SSI program.

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:

- 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
<p>Notes:</p> <p>Beginning in 2009, OMB required us to categorize improper payments in our programs into one of three categories as defined below:</p> <ul style="list-style-type: none"> • 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).

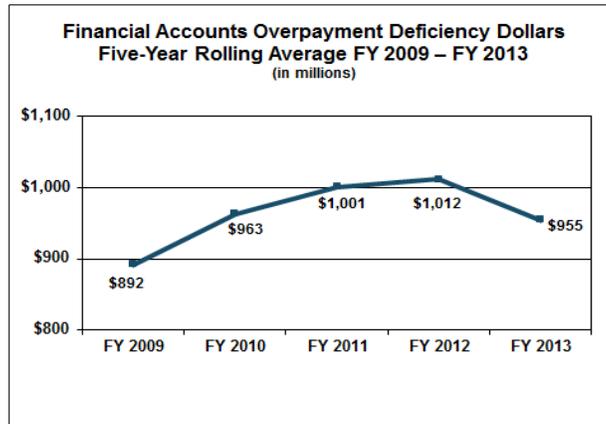
Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Information for the corrective action for living arrangements is in the SSI Corrective Actions section for ISM.

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.

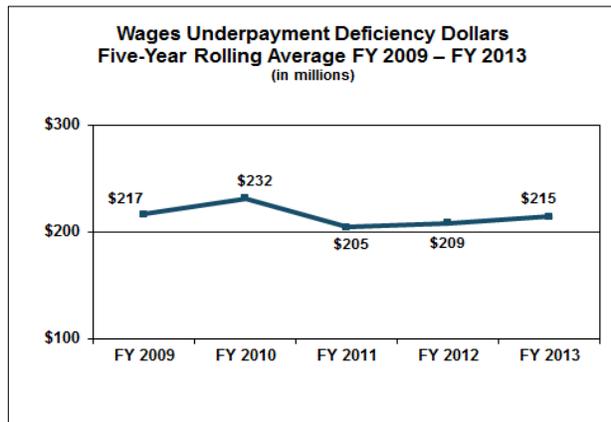
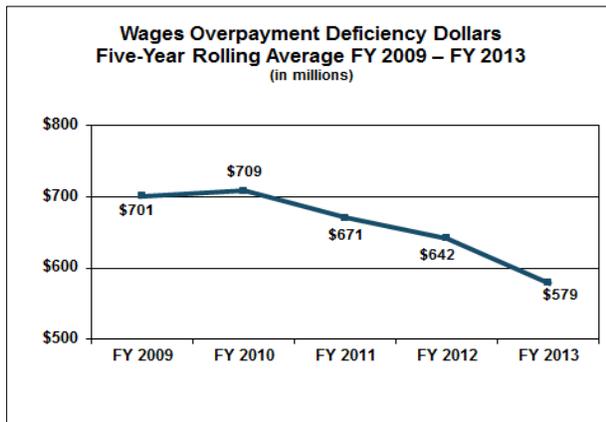
Table 9: Financial Accounts – Corrective Actions		
Description	Target Completion	Status
Expand use of AFI and increase the number of undisclosed bank account searches.	Completed October 2013	Based upon a return-on-investment analysis, we committed resources to use AFI in more SSI applications and redeterminations 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.

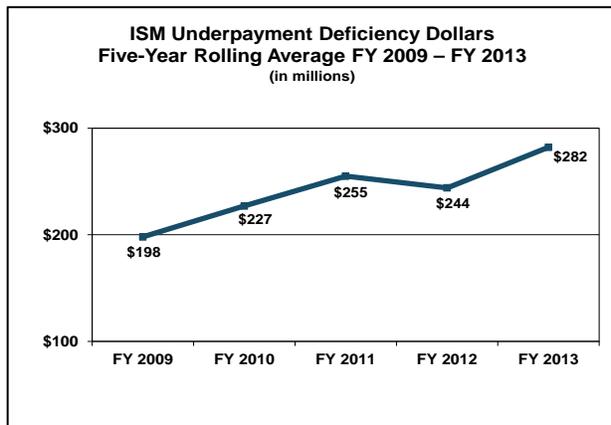
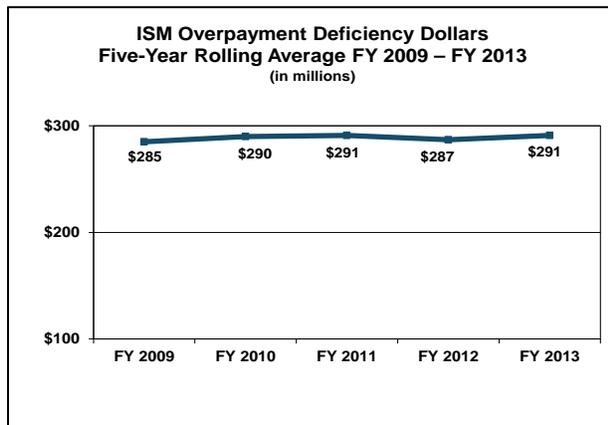
Table 10: Wages – Corrective Actions		
Description	Target Completion	Status
<p>Explore using wage information we receive from other sources for timely and accurate wage reports.</p> <p>Request that applicants for SSI provide their consent for us to obtain information from other sources.</p> <p>Modify our policy and supporting operating process to allow the use of wage information we obtain from those sources.</p> <p>Automate the process of obtaining wage information and adding wage information to our systems, thereby conserving administrative resources and reducing improper payments.</p>	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.

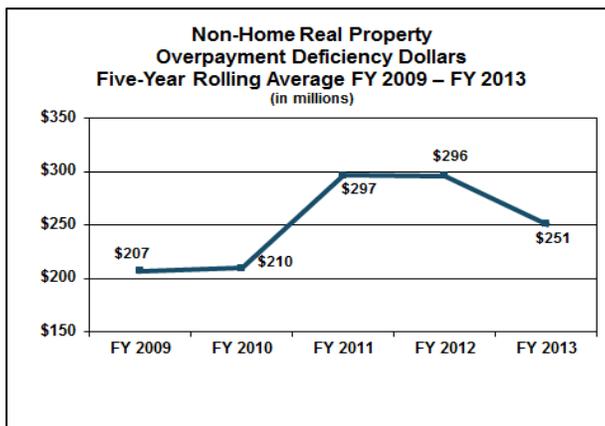
Table 11: ISM – Corrective Actions		
Description	Target Completion	Status
<u>Statutory, Regulatory, Policy and Procedure Review</u>		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	As a result of our reviews, we issue periodic reminders and policy clarifications, as needed. We will continue to work with Congress and other stakeholders to identify possible statutory/regulatory changes.

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 demor.

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 <i>LexisNexis/Accurint</i> 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 <i>LexisNexis/Accurint</i> . We analyzed the data to determine the cost benefit of using <i>LexisNexis/Accurint</i> , 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 <i>LexisNexis/Accurint</i> 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.

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:

- 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:

- 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 Expenses²	\$2,954
Total Administrative Expenses	\$11,431
Notes:	
<ol style="list-style-type: none"> ARRA expenses consist primarily of National Support Center building costs. 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:			
<ol style="list-style-type: none"> 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 \(www.socialsecurity.gov/legislation/Agency Operating Plan FY2014.pdf\)](http://www.socialsecurity.gov/legislation/Agency%20Operating%20Plan%20FY2014.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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