Other Information

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

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

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

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

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2015

The Honorable Carolyn W. Colvin
Acting Commissioner

Dear Ms. Colvin:

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

Management and Performance Challenges

As we planned our audit work for Fiscal Year (FY) 2015, we identified the following seven management and performance challenges.

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

To better reflect SSA's challenges with the overall management of the hearings process, we have retitled the challenge *Reduce the Hearings Backlog and Prevent its Recurrence* to *Improve the Responsiveness and Oversight of the Hearings Process*. Also, our previous Statements have discussed the issue of cyber-security under the *Invest in Information Technology Infrastructure to Support Current and Future Workloads* challenge. While we will continue discussing cyber-security under this challenge in the FY 2015 report, we plan to make it a separate challenge titled *Secure Information Systems and Protect Sensitive Data* in FY 2016.

We further discuss the management and performance challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each of the identified challenges. For example, we used statistics reported by SSA and Office of the Inspector General audits of SSA's operations. We also used the FY 2015 independent auditor's report, which contained the results of SSA's financial statement audit. The report concluded that SSA had three significant deficiencies in internal controls over financial reporting.

The Office of Audit will continue focusing on these issues in FY 2016 and assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

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

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Enclosure

Fiscal Year 2015
Inspector General Statement
on the
Social Security Administration's
Major Management and Performance Challenges

SOCIAL SECURITY ADMINISTRATION

OIG

November 2015

Improve the Responsiveness and Oversight of the Hearings Process

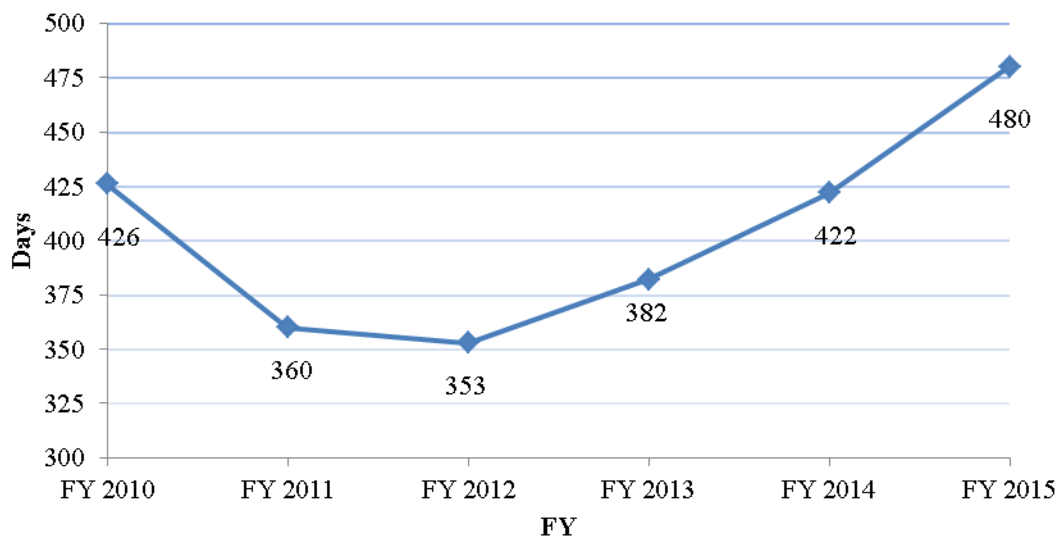
Challenge

While the Social Security Administration (SSA) continues focusing on the quality and consistency of hearing decisions, it is facing worsening average processing times and increasing pending hearings.

Worsening Timeliness and Increasing Pending Cases

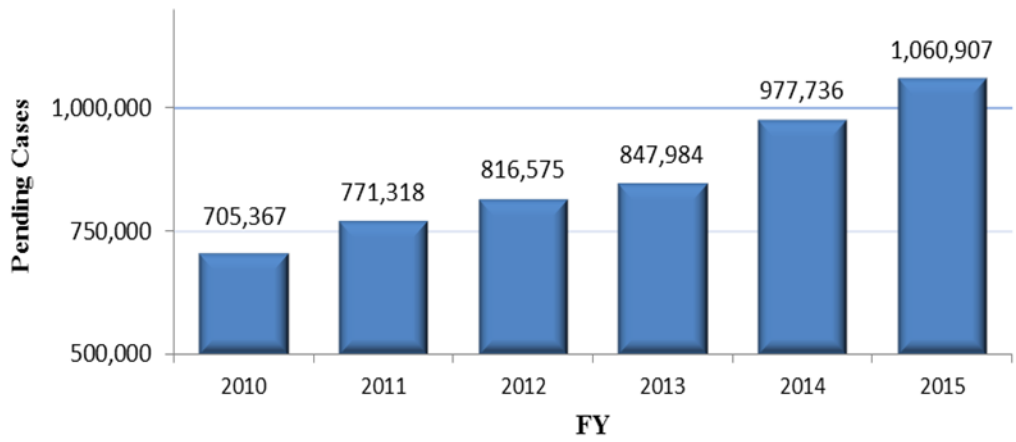
SSA's Fiscal Year (FY) 2014-2018 *Agency Strategic Plan* has a goal to "Serve the public through a stronger, more responsive disability program," which includes the objective of improving the quality, consistency, and timeliness of disability decisions. One part of that disability program, the hearings process, has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased from 426 days in FY 2010 to 480 days in FY 2015 (see Figure 1).

Figure 1: Trend in Average Processing Time (FYs 2010 Through 2015)



In addition, the number of pending hearings grew from about 705,000 cases at the end of FY 2010 to over 1 million cases at the end of FY 2015 (see Figure 2).

Figure 2: Increase in Pending Hearing Cases
(FYs 2010 Through 2015)



Note: Pending figures represent the pending level at the end of the FY.

In a September 2015 report on the hearings backlog, we stated SSA had not published a long-term, multi-year strategy to address the growing backlog and worsening timeliness; however, SSA had begun implementing 35 initiatives to address these issues. In a separate September report on hearing office average processing times, we discussed large variances in timeliness among hearing offices. For instance, the Miami Hearing Office had an average processing time that was 300 days longer than the average processing time in the Orange, California Hearing Office.

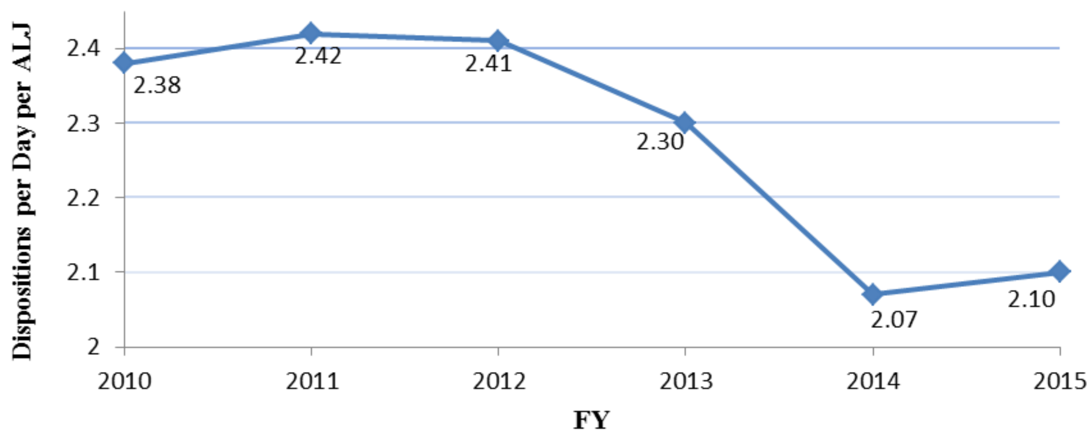
Factors that Affect Timeliness and Increasing Pending Cases

Four factors contributed to the increase in the number of pending claims: (1) an increase in the number of hearing requests, (2) a decrease in the number of available administrative law judges (ALJ), (3) a decrease in ALJ productivity, and (4) a decrease in senior attorney adjudicator decisions.

SSA received about 600,000 hearing requests in FY 2008, over 800,000 hearing requests in each of FYs 2011 through 2014, and about 746,000 hearing requests in FY 2015. Between FYs 2012 and 2015 the number of available ALJs declined about 5 percent. For example, the Agency lost approximately 100 experienced ALJs in each of FYs 2014 and 2015. While the Agency has hired hundreds of new ALJs to increase the number of available ALJs and replace departing ALJs, new ALJs are initially assigned a limited number of cases as they complete their training.

ALJ productivity declined approximately 13 percent between FYs 2012 and 2015 (see Figure 3). Increased Agency emphasis on decisional quality has led to ALJs spending more time on cases. Agency managers also started limiting new case assignments to ALJs to 1,200 cases, annually, in FY 2012 and gradually dropped this cap to 720 cases in FY 2015.

Figure 3: Trends in ALJ Productivity (FYs 2010 Through 2015)



Note: ALJ productivity represents the number of dispositions per available ALJ per day. Productivity figures represent the productivity for the entire FY.

The Agency has also reduced the number of senior attorney adjudicator decisions due to quality concerns. In FY 2010, senior attorney adjudicators issued 54,200 decisions. In FY 2015, senior attorney adjudicators issued 607 decisions.

ALJ Decisions

In a November 2014 report to the Committee on Oversight and Government Reform, we addressed concerns regarding ALJs who had both high disposition and high allowance rates on their cases. We estimated these ALJs improperly allowed disability benefits on approximately 24,900 cases, resulting in about $2 billion in questionable costs. We recommended SSA (1) incorporate these findings into its existing monitoring and quality review priorities and (2) ensure full medical continuing disability reviews (CDR) are conducted on claimants associated with the higher risk disability cases in our sample.

In another review, we analyzed the effects of regulations requiring that disability adjudicators allow disability claims based on claimants inability to speak English. We recommended that SSA capture the number of beneficiaries awarded benefits based on their inability to communicate in English and evaluate the appropriateness of the grid rules related to an inability to speak English.

Agency Actions

The Agency has been hiring hundreds of new ALJs to increase the number of available ALJs and replace departing ALJs. Specifically, it hired 71 new ALJs in FY 2014 and 202 new ALJs in FY 2015. In August 2011, the Chief ALJ issued a memorandum that outlined specific areas on which ALJs should focus to improve the quality of their decisions. SSA also continues focusing on decision quality through its ongoing review of pre-effectuated adjudicator allowances; monitoring of potential anomalies in ALJ workload performance; and expanding hearing office workload quality measures, such as the “agreement rate” associated with the percent of ALJ cases remanded or reversed in subsequent appeals.

WHAT THE AGENCY NEEDS TO DO

The Agency needs to improve the timeliness of the hearings process by

Publishing long-term goals to improve timeliness and reduce the pending hearings backlog;

Implementing and monitoring the 35 initiatives designed to improve timeliness and reduce the backlog;

Increasing quality decisionmaking and reducing ALJ outlier behavior; and

Focusing resources on capacity issues to better balance processing times and workloads in hearing offices.

Key Related Performance Measures

The key hearings-related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Deliver a world-class customer experience by expanding the use of video technology to hold hearings.
- Ensure the quality and consistency of hearing decisions by randomly reviewing a percentage of cases using an inline review process.
- Increase ability to provide timely decisions by focusing on oldest cases first.
- Increase ability to provide timely decisions by reducing the percentage of pending Appeals Council requests for review 365 days or older.
- Complete the budgeted number of hearing requests.
- Average processing time for hearing decisions.
- Achieve the budgeted goal for hearing case production per workyear.

While some of these measures set desired outcomes, like timely hearing decisions, others measure simple outputs, like the number of hearings completed. Additionally, some of the performance measures appear to measure a desired outcome, like world-class customer experience but actually only measure an output, like the number of hearings conducted by video. While it is possible that the video service will provide a world-class service, just expanding it does not guarantee a world-class experience. Finally, the performance measures only measure part of the time an applicant has waited for a disability decision. An applicant at the hearings level has already incurred the time waiting for an initial decision and, in some cases, a reconsideration decision.

Key Related Links

The Office of the Inspector General (OIG) Report – *Qualifying for Disability Benefits in Puerto Rico Based on an Inability to Speak English* (A-12-13-13062), April 2015.

OIG Report – *Administrative Law Judges with Both High Dispositions and High Allowance Rates* (A-12-14-24092), November 2014.

OIG Report – *The Social Security Administration's Efforts to Eliminate the Hearings Backlog*, (A-12-15-15005), September 2015.

OIG Report – *Hearing Office Average Processing Times*, (A-05-15-50083), September 2015.

Improve the Timeliness and Quality of the Disability Process

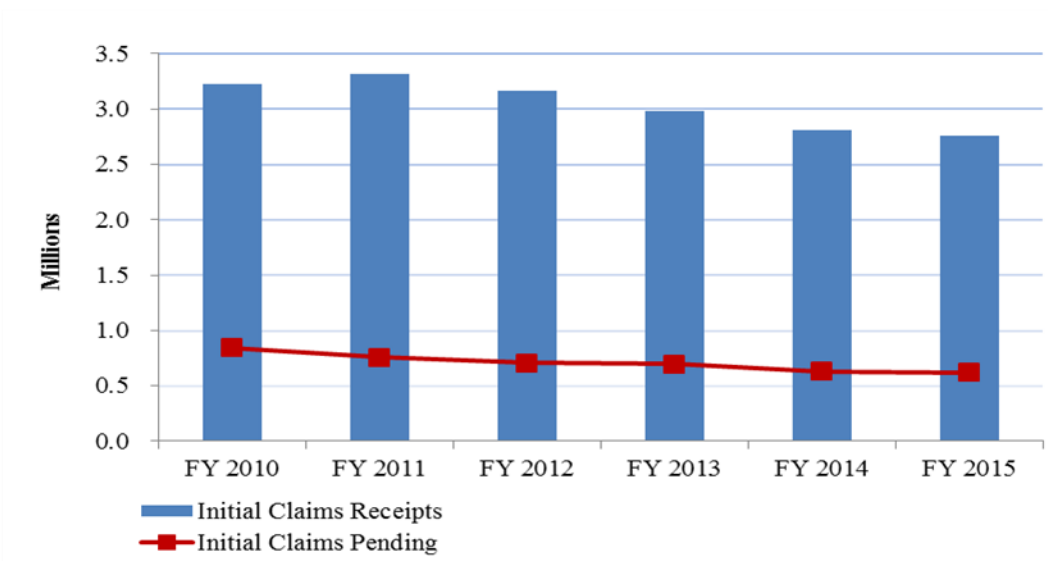
Challenge

SSA needs to address receipt of millions of initial disability and reconsideration claims and backlogs of initial disability claims and CDRs, while also protecting its disability programs from fraud and encouraging beneficiaries to return to work.

Disability Claims Backlog

SSA completed over 2.8 million initial and 757,000 reconsideration disability claims in FY 2014 and more than 2.75 million initial and 723,000 reconsideration claims in FY 2015. While initial claims have declined in recent years, SSA had over 621,000 initial disability claims pending at the end of FY 2015. Similarly, SSA expects to have approximately 628,000 initial disability claims pending at the end of FY 2016.

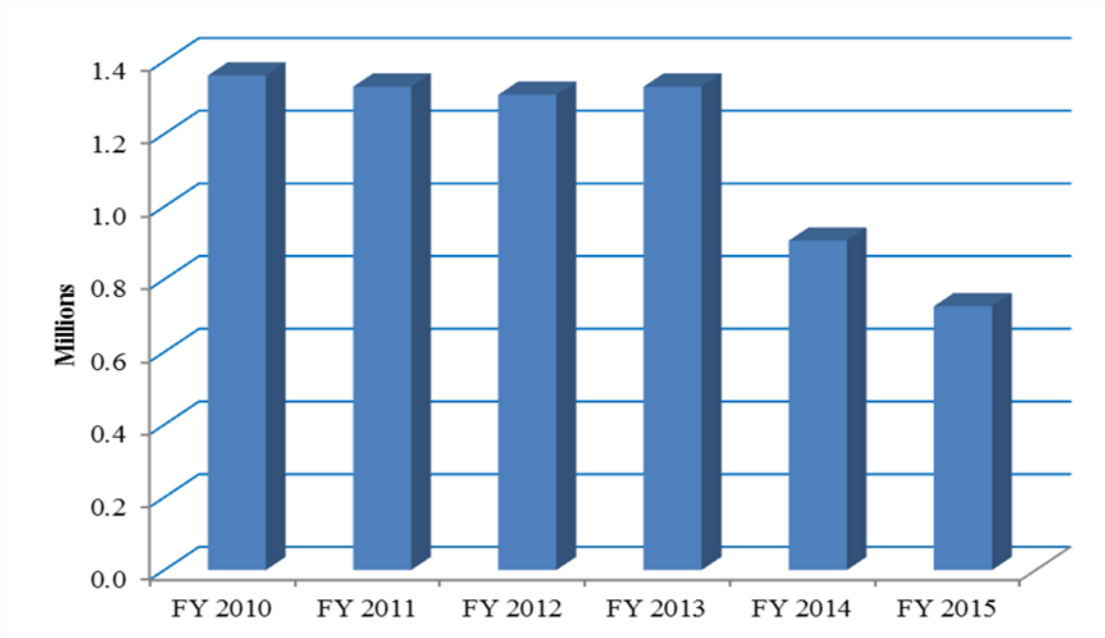
Figure 4: Initial Claims Receipts and Pending



CDR Backlog

According to SSA, at the end of FY 2015, there was a backlog of more than 726,000 full medical CDRs, down from over 906,000 cases backlogged at the end of FY 2014. As we stated in our August 2014 report on *The Social Security Administration's Completion of Program Integrity Workloads*, SSA had a backlog because it had not completed all full medical CDRs when they became due. Although SSA increased the number of full medical CDRs completed in recent years, it was still lower than needed to eliminate the backlog. As a result, SSA missed potential savings. Had SSA conducted full medical CDRs at historic levels, we estimated it would have identified billions of dollars in additional Federal benefit savings.

Figure 5: Full Medical CDR Backlog



Disability Fraud

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

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

Return to Work

Historically, less than 1 percent of disabled beneficiaries stops collecting benefit payments because they have returned to work and are no longer eligible. The Ticket to Work and Self-Sufficiency Program was created to assist beneficiaries in returning to work. However, an evaluation of the program concluded that, ". . . rigorous impact analysis failed to provide strong evidence of its impact on employment."

Agency Actions

Disability Case Processing System

The 54 DDSs use various customized systems to process disability cases, and those systems require significant resources to support and maintain. The Disability Case Processing System (DCPS) is a nation-wide SSA initiative to bring greater consistency to DDSs and the disability determination process. SSA conceived of DCPS as a common case processing system for all DDSs that would simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs. While SSA invested more than $344 million in DCPS over more than 7 years, the Agency has not yet fully developed and implemented a system. We will continue evaluating SSA’s plans to complete the DCPS project.

Fraud Prevention and Cooperative Disability Investigations

In FY 2014, SSA began a two-phase initiative to develop predictive analytics to detect disability fraud. Phase I, completed in May 2014, used a data analytics platform to identify cases of known fraud. SSA completed Phase II in September 2014. In this second phase, SSA

- applied the predictive model in Phase I to additional data and identified previously unknown, potentially fraudulent claims;
- built a preliminary predictive model to score all disability claims based on the risk for potential fraud; and
- obtained SSA-specific recommendations from an independent analysis for changes to SSA’s anti-fraud program, creating a centralized anti-fraud program management office.

SSA also established Fraud Prevention Units composed of disability examiners dedicated to reviewing and acting on potential fraud cases. In FY 2014, SSA established three Fraud Prevention Units in New York, San Francisco, and Kansas City.

The Cooperative Disability Investigations (CDI) program continues to be one of the Agency’s most successful joint initiatives, combining the efforts of the OIG, SSA, DDSs, and State or local law enforcement personnel. As of September 30, 2015, the CDI program had 36 units in 31 States and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. From inception through September 2015, CDI program efforts nationwide have resulted in $3.2 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) disability programs and $2.1 billion to non-SSA programs. In FY 2015 alone, CDI program efforts nationwide resulted in $406.1 million in projected savings to SSA's OASDI and SSI disability programs and $291.1 million to non-SSA programs.

Return to Work

To increase the numbers of beneficiaries returning to work, SSA acknowledged it must create clear, consistent employment incentives. To that end, it continued

- looking for ways to simplify work incentives and minimize improper payments due to earnings;
- strengthening its employment support programs, including the Ticket to Work Program, and
- providing help for beneficiaries who want to work through the Work Incentive Planning and Assistance program.

What the Agency Needs To Do

Continue focusing on reducing the initial disability claims and CDR backlogs. While the Agency made progress in lowering the backlogs in recent years, it still needs to use its available resources and technology to increase its capacity to ensure it completes initial disability claims and full medical CDRs timely.

Ensure DCPS is back on track to modernize the technology infrastructure that supports disability case processing nationwide.

Develop the tools and systems needed to properly store and analyze disability applications and claims to ensure payment integrity and protect the disability program against fraud.

Continue simplifying work incentive regulations and creating new opportunities for returning beneficiaries to work.

Key Related Performance Measures

The key disability-related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Minimize the average response time to deliver medical evidence to the Department of Veterans Affairs for wounded warriors and veterans.
- Complete the budgeted number of full medical CDRs.
- Expedite cases for the most severely disabled individuals by achieving the target percentage of initial disability cases identified as Quick Disability Determinations or Compassionate Allowances.
- Ensure the quality of decisions by achieving the DDS decisional accuracy rate for initial disability decisions.
- Complete the budgeted number of initial disability claims.
- Complete the budgeted number of disability reconsideration claims.
- Achieve the target number of disability reconsiderations pending.
- Achieve the target number of initial disability claims pending.
- Average processing time for initial disability claims.
- Average processing time for reconsiderations.
- Achieve the budgeted goal for DDS case production per workyear.
- Improve the disability determination process by increasing the percentage of initial disability claims with health information.
- Achieve the target number of beneficiaries participating in the Ticket to Work Program who begin earning above a certain level.
- Increase the number of beneficiaries returning to work by achieving the target number of Social Security Disability Insurance and SSI disability beneficiaries with Tickets assigned and in use who work above a certain level.

Some of the performance measures measure desired outcomes, like timely disability claim decisions. However, others measure outputs, like the number of disability claims completed. Additionally, some of the performance measures appear to measure a desired outcome but only measure an output. For example, one performance measure appears to measure the outcome of an improved determination process but only measures the number of cases with IT medical evidence. A better performance measure would measure whether SSA processed cases with IT medical evidence more timely or accurately than cases without IT medical evidence.

Key Related Links

SSA Report – *The Social Security Administration's Anti-fraud Activities for Fiscal Year 2014*, December 2014.

OIG Report – *The Social Security Administration's Completion of Program Integrity Workloads* (A-07-14-24071), August 2014.

OIG Report – *The Social Security Administration's Ability to Prevent and Detect Disability Fraud*, September 2014.

OIG Report – *The Social Security Administration's Disability Case Processing System* (A-14-15-15016), November 2014.

Mathematica Report – *Executive Summary of the Seventh Ticket to Work Evaluation Report*, July 2013.

Reduce Improper Payments and Increase Overpayment Recoveries

Challenge

SSA is responsible for issuing over $900 billion in benefit payments, annually, to about 60 million people. Given the large overall dollar amounts involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

SSA is one of several Federal agencies that have a high amount of improper payments. In FY 2014, the last FY for which data were available, SSA reported about $9.8 billion in over- or underpayments and incurred an administrative cost of $0.07 for every overpayment dollar it collected. Further, SSA needs to adhere to the requirements in Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) (Pub. L. No. 111-204), and *the Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA) (Publ. L. No. 112-248).

Improper Payment Rates

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

For example, according to SSA, in FY 2014,

- the OASDI overpayment error was $4.6 billion or 0.5 percent of program outlays, and the underpayment error was $472 million or 0.05 percent of program outlays; and
- the SSI overpayment error was $3.9 billion or 7 percent of program outlays, and the underpayment error was $840 million or 1.5 percent of program outlays.

For FYs 2015 through 2017, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; and for SSI, the Agency's goal was to achieve over- and underpayment accuracy rates of 95 and 98.8 percent, respectively.

The Agency only met one of its payment accuracy targets in the last 5 years (see Table 1).

Table 1: Rates and Targets for Payments Without Overpayments FYs 2010 to 2014

FY	2010		2011		2012		2013		2014	
Program	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI
Rate	93.35	99.61	92.66	99.68	93.66	99.78	92.43	99.78	93.05	99.47
Target	91.60	99.80	93.30	99.80	95.00	99.80	95.00	99.80	95.00	99.80
Met	**Yes**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**No**	**No**

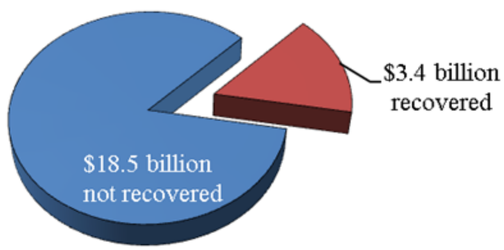
Executive Order 13520, IPERA, and IPERIA

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

Overpayment Recoveries

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2015, it recovered $3.4 billion in overpayments at an administrative cost of $0.07 for every dollar collected and ended the FY with an uncollected overpayment balance of $18.5 billion (see Figure 6).

Figure 6: Overpayments Recovered - FY 2015



Agency Actions

Improper Payment Causes

One of the major causes of improper payments in the OASDI program is beneficiaries' failure to timely report earnings or SSA not timely withholding monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. SSA developed a statistical model that predicts the likelihood of beneficiaries' being at risk of receiving large earnings-related overpayments and implemented it nationwide in June 2013.

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

Debt Collection Tools

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

CDRs

The CDR is a tool for reducing improper payments. Through completion of CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about $9 for every $1 spent on CDRs, including Medicare and Medicaid program effects.

WHAT THE AGENCY NEEDS TO DO

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

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

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

Key Related Performance Measures

The key improper payment related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Reduce the percentage of improper payments made under the SSI program.
- Maintain the low percentage of improper payments made under the OASDI program.
- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments.
- Complete the budgeted number of full medical CDRs.
- Complete the budgeted number of SSI non-medical redeterminations.

These performance measures primarily measure the desired outcome of paying beneficiaries and recipients accurately. However, the latter two metrics measure outputs. The desired outcome of CDRs and redeterminations is not their completion. The performance measures should measure what SSA hopes to gain by completing these workloads.

Key Related Links

Office of Management and Budget Memorandum M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014.

Federal Payment Accuracy Website - http://www.paymentaccuracy.usaspending.gov.

OIG Report –*Overpayments in the Social Security Administration's Disability Programs-A 10-Year Study* (A-01-14-24114), June 2015.

OIG Report – *Overpayment Waiver Requests Processed by Field Offices in Fiscal Years 2012 and 2013* (A-07-15-35031), July 2015.

OIG Report - *Cost-benefit Analysis of Processing Low-dollar Overpayments* (A-07-14-14065), July 2015.

OIG Report - *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2014 Agency Financial Report* (A-15-15-50007), May 2015.

Improve Customer Service

Challenge

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

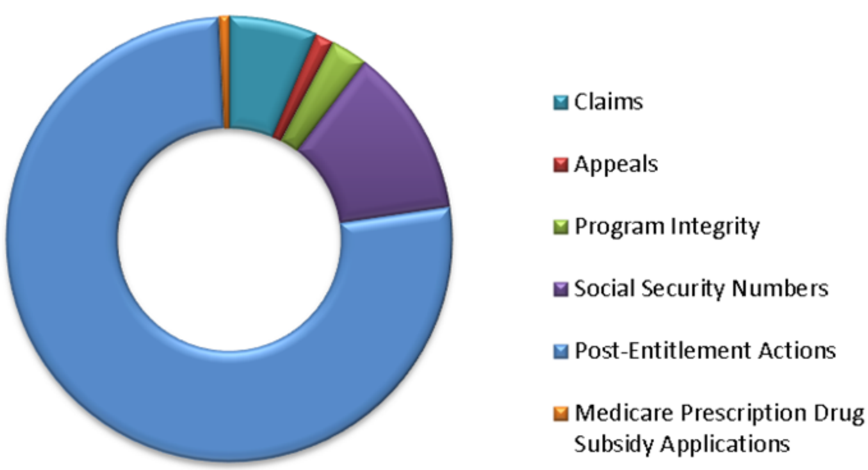
Increased Workload with Reduced Staff

SSA stated that the population aged 65 and older will grow by more than 18 million from 2015 to 2025, and an additional 8 million by 2030, thereby dramatically increasing the demand for its services. In FY 2015, SSA received approximately 5 million retirement, survivors, and Medicare applications; completed 2.7 million initial disability claims; and completed over 663,000 requests for hearings.

In addition to these workloads, in FY 2015, SSA

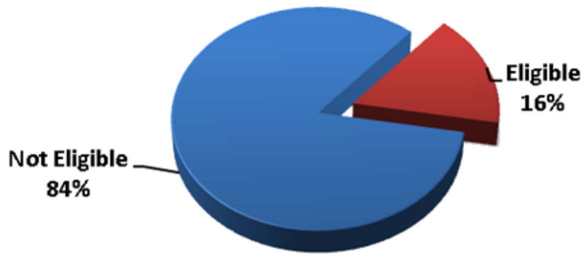
- completed 723,000 reconsiderations and 150,000 Appeals Council requests for review;
- issued over 17 million new and replacement Social Security number (SSN) cards;
- posted over 275 million earnings items to workers' records;
- handled nearly 37 million calls to its national 800-Number;
- assisted 41 million visitors in field offices; and
- mailed nearly 350 million notices.

Figure 7: FY 2015 SSA Estimated Workload



SSA faces a challenge of losing its institutional knowledge because of steady losses of employees through retirement. As of August 2015, approximately 16 percent of SSA employees was eligible for retirement. SSA estimates that 28 percent of its permanent employees will be eligible to retire by 2020, and their retirement could result in various mission-critical skills gaps.

Figure 8: SSA Employees Eligible for Optional Retirement (as of August 2015)



In its February 2015 High-Risk Series report, the Government Accountability Office noted that agencies had taken important steps to better position the Government to close current and emerging critical skills gaps, but agencies will need to implement specific strategies and evaluate their results to demonstrate progress on addressing critical skill gaps. SSA recognizes that identifying and reducing skill gaps at all organizational levels are important to the Agency.

Customer Service Expectations

The dramatic increase in mobile and broadband Internet access is driving public expectation for instantaneous service through multiple delivery channels. Rapid advances in technology introduce new opportunities for service delivery as well as requiring that SSA remain vigilant about potential security and fraud vulnerabilities. Furthermore, customers who seek benefits from SSA also interact with other agencies and private organizations. SSA acknowledges it could improve its customer service through partnerships with these organizations to learn from each other, share data, and develop processes that help customers access services more quickly and easily.

Representative Payment Program

SSA appoints representative payees to manage the benefits of incapable beneficiaries and recipients because of their age or mental or physical impairment. SSA acknowledges that representative payees play a significant role in many beneficiaries' lives, and it consistently explores ways to better identify, screen, and appoint representative payees. In January 2015, SSA reported that approximately 6 million representative payees were managing about $76.8 billion in payments for 8.7 million beneficiaries and recipients. SSA continues finding problems with representative payees who improperly use and account for beneficiaries' payments during their reviews. Likewise, our audits continue to find problems with SSA's Representative Payment Program. Our recent reviews have found

- terminated or non-selected representative payees received approximately $367 million in benefits payable for 13,539 beneficiaries because SSA did not remove them from the beneficiaries' records, and
- about 2,550 deceased representative payees received approximately $46.8 million in OASDI benefits and SSI payments because the Agency did not ensure new representative payees were selected when current representative payees died.

Agency Actions

SSA developed a long-term vision, expanded the use of online services, improved telephone services, continued video services expansion, and improved the Representative Payment Program to improve customer service.

Vision 2025

In April 2015, SSA released its *Vision 2025* publication, which states where SSA would like to be in 10 years with its workforce, technology, and customer service. *Vision 2025* identifies three priorities: a superior customer experience, exceptional employees, and an innovative organization to guide its service delivery efforts today and in the future. SSA has developed milestones in its revised FY 2014 – 2018 Agency Strategic Plan that support *Vision 2025* goals.

When asked whether *Vision 2025* will lead to the closing of field offices, SSA's Acting Commissioner stated, ". . . we are fully committed – now and in the future – to sustaining a field office structure that provides face-to-face service and is responsive to members of the public who need or prefer it." In November 2013, SSA implemented a new process for evaluating field offices to ensure service delivery is consistent with the needs of the areas served. Service Area Reviews help SSA determine whether it should upgrade, downgrade, or consolidate field offices or make no changes. We reviewed this new process and found that, in general, it resulted in consistent documentation of SSA's field office evaluations.

Online Services

One of SSA's goals is to provide high quality and timely services while offering customers the convenience of interacting with it from anywhere. In FY 2014, SSA launched its Social Security Express initiatives that provide access to SSA's online services, including *my* Social Security, in its field offices and external locations, such as libraries, senior centers, and Federal agencies.

SSA continues leveraging the *my* Social Security online portal. *My* Social Security hosts 17 million visits per month and enables Social Security disability beneficiaries and SSI recipients to access their benefit verification letters, payment histories, and earnings records instantly. SSA reported it is working on a new SMART claim feature that will allow customers to file a claim for retirement, disability, and Medicare benefits using a single *my* Social Security application by the end of FY 2016. In addition, SSA initiated two marketing campaigns to increase customer awareness of SSA's online services and their benefits.

In November 2012, SSA introduced the Direct Deposit Auto-Enrollment Fraud Prevention block to prevent beneficiaries from unauthorized account changes and, in August 2013, the Agency updated the block to prevent direct deposit and address changes requested through the *my* Social Security Website. We reviewed approximately 38,000 beneficiaries with Direct Deposit Auto-Enrollment Fraud Prevention blocks on their accounts. We found that it worked as intended and reduced the risk of direct deposit fraud for those who used the block.

Telephone Services

According to SSA, it has fully implemented its National 800-number to a more modern infrastructure that will help improve telephone service to the American public. The enhancements to the new infrastructure improve the speech-recognition technology, enabling callers to complete their business using automated services. SSA expects the wait time will decrease to under 10 minutes by the end of FY 2016.

Video Services

SSA continues expanding its video services for individuals who live in areas with limited public transportation or have difficulty getting to a field office. Video services enable SSA to provide service to people at hospitals, libraries, community centers, American Indian Tribal centers, and homeless shelters. Video services also reduce travel costs and lost work hours. As an example of its expansion of video services, SSA reported it installed 160 new video units and replaced 262 older units in FY 2015 to allow for the use of video for hearings.

Representative Payment Program

SSA identified 29 cases of misuse during its reviews of representative payees and removed 29 representative payees because of their poor performance. SSA is also seeking ways to improve its Representative Payment Program. SSA stated it is refining its monitoring program to identify and target potential areas of concern for in-depth review. In addition, SSA is contracting with the Institute of Medicine to help it identify ways of streamlining the process for determining whether a beneficiary needs a representative payee and partnering with other agencies to determine the potential for collaboration on representative payee activities.

WHAT THE AGENCY NEEDS TO DO

Implement and evaluate its long-term vision on how it plans to provide service, given the current and anticipated changes to the workload, staffing needs, technology, and customer service expectations.

Continue to strengthen its controls for administering the Representative Payment Program, including selecting and monitoring payees.

Key Related Performance Measures

The key customer service performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Achieve the target speed in answering national 800-number calls.
- Achieve the target busy rate for national 800-number calls.
- Maintain high customer satisfaction with online services.
- Improve access to services by increasing the number of citizens who complete their business online.

While the first three performance measures listed measure a desired outcome of timely service or high customer satisfaction, the last measure listed does not. It appears to measure greater access to personalized information, but it really measures the output of the number of transactions processed through *my* Social Security. Increasing the number of transactions through *my* Social Security accounts does not equate with greater access to personalized information as customers may find the accounts unhelpful or hard to use and choose not to use them. A more meaningful performance metric would measure the customer satisfaction with *my* Social Security or the benefit to SSA of providing its customers with online access to personalized information.

Key Related Links

OIG Report – *Payments to Terminated or Non-Selected Representative Payees* (A-09-13-23071), February 2015.

OIG Report – *Direct Deposit Auto-Enrollment Fraud Prevention Block* (A-06-14-14042), April 2015.

OIG Report – *The Social Security Administration's Field Office Consolidation Decision Process* (A-07-15-25027), May 2015.

OIG Report – *Deceased Representative Payees* (A-01-14-34112), June 2015.

Government Accountability Office Report – *Report to Congressional Committees, High-Risk Series (An Update)* (GAO-15-290), February 2015.

SSA's *Vision 2025.*

SSA's *Agency Strategic Plan Fiscal Years 2014-2018*.

SSA's *Annual Performance Plan for Fiscal Year 2016, Revised Performance Plan for Fiscal Year 2015, and Annual Performance Report for FY 2014*.

SSA's *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2014*.

Invest in Information Technology Infrastructure to Support Current and Future Workloads

Challenge

Federal agencies must ensure they wisely invest their scarce resources. SSA faces the challenge of determining how best to use technology to accomplish its mission within its budget and resource constraints, while ensuring its information systems are secure and sensitive data are protected.

Cyber-security

Federal information systems—and the information they hold—are increasingly becoming targets of cyber-attacks. Recent breaches at several Federal agencies have underscored the importance of securing Federal systems and protecting sensitive information. The information SSA houses on nearly every U.S. citizen is invaluable to would-be hackers and potential identity thieves. Consequently, the Agency's information systems may be at particular risk of attack. Given the highly sensitive nature of the personal information in its systems, it is imperative that SSA have a robust information security program.

Our prior audit and investigative work has revealed a number of concerns with the security of SSA's information systems. Since FY 2012, auditors have concluded that the risk and severity of SSA's information security weaknesses identified constituted a significant deficiency under the *Federal Information Security Management Act of 2002* (Pub. L. No. 107-347). Those security deficiencies, when aggregated, created a weakness in SSA's overall information systems security program that the auditors concluded significantly compromised the security of the Agency's information and information systems. Additionally, other recent audits and evaluations have identified serious concerns with SSA's information security program.

To address ever-increasing security challenges, it is crucial that SSA implement a well-designed, continuous monitoring strategy to monitor and assess security controls. SSA has issued its *Continuous Monitoring Strategy* but is still implementing it. The Office of Management and Budget and National Institute of Standards and Technology require near real-time, continuous monitoring for risk management and risk-based decisionmaking.

IT Physical Infrastructure

One of SSA's major IT investments in recent years has been replacing its existing National Computer Center (NCC). The NCC has been in continuous operation as a data center since it opened in 1980 and, while its computing capacity has been expanded over the years, increasing workloads and expanding telecommunication services severely strained its ability to support the Agency's business. SSA received $500 million from the *American Recovery and Reinvestment Act* to replace the NCC with a new National Support Center (NSC). SSA must diligently monitor migration activities to ensure a successful transition from the NCC to the new NSC.

Development and Implementation of Secure Electronic Services

According to SSA, in FY 2015, the Agency's field offices saw about 40 million visitors, and it handled over 37 million calls to its national 800-number. To support its increasing workloads, SSA has developed and implemented over 30 electronic services to the public, businesses, and other government agencies. With these expanded services, SSA reported it processed more than 85 million transactions online in FY 2015.

One of the Agency's priorities is to develop and increase the use of self-service options. To achieve that goal, SSA plans to rapidly expand the services available under its *my* Social Security online portal. For example, SSA plans to provide direct access to certain information and notices through its online services.

The Agency is developing an application to permit certain individuals to request replacement SSN cards online. In 2015, we evaluated SSA's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project and identified some concerns with the mitigating controls SSA plans to use for the application.

While expanding its inventory of electronic services, the Agency needs to ensure those services are secure. Prior investigative and audit work have identified multiple incidents of fraud committed through SSA's electronic services. For example, despite controls to prevent unauthorized access to *my* Social Security, we continue to receive fraud allegations related to *my* Social Security accounts.

Implementation of Major IT Projects

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

To simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs, SSA plans to develop DCPS, which, once implemented, will be used by all DDSs. However, despite investing more than $344 million in DCPS over 7 years, SSA has not fully developed and implemented a system. The project has faced schedule delays and increasing stakeholder concerns.

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, we evaluated the DCPS project in FY 2015. Our November 2014 report recommended that SSA suspend the development of certain custom-built components of DCPS until the Agency evaluated and determined whether off-the-shelf or modernized SSA-owned software are viable alternatives. In May 2015, we initiated a review to examine SSA's efforts to evaluate those alternatives.

In May 2015, we issued a report with our observations and recommendations for DCPS. In that review, we found that previous Beta versions of DCPS had significant functionality limitations. Those limitations caused delays in processing and required that the DDSs develop various "workarounds" to process claims through the system. DDS personnel expressed many concerns with the efficiency and effectiveness of the rollout as well as SSA management's communication with users.

Agency Actions

Cyber-security

SSA acknowledges it must be mindful of potential cyber-threats and remain committed to protecting privacy and security. One of the Agency's goals is to ensure its IT services are reliable, secure, and efficient. As part of that effort, SSA plans to strengthen it cyber-security program.

In FY 2015, SSA continued to address the significant deficiencies in information security. In addition, partially in cooperating with the Federal Cybersecurity Sprint efforts, SSA implemented additional policies and procedures. This included, but was not limited to, strengthening access controls and management of privileged accounts, prioritizing critical data inventory, and expanding penetration testing.

SSA also plans to revise and enhance other information security policies and procedures. For example, to better control systems access for employees and contractors, SSA had planned to manage access requests through a new automated system by the end of September 2015 but now expects to do so by the end of the Calendar Year 2015.

Two-factor authentication (for example, using a physical badge and password) methods make it harder for unauthorized individuals to access SSA's network and systems and better protect sensitive data. By the end of 2015, SSA plans to prevent employees and contractors from logging onto its internal network without their badges.

IT Physical Infrastructure

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

The General Services Administration managed construction of the new NSC, which was completed in September 2014. In 2015, we evaluated SSA's efforts to transition its NCC operations to the Agency's new NSC. While we did not identify any significant issues that threatened the Agency's ability to complete the migration as planned, we believe SSA must continue diligently monitoring migration activities and taking appropriate action when issues arise that put the project at risk. We also believe SSA should inform stakeholders if it determines key milestones will not be met.

The Agency plans to finish migrating its systems from the existing NCC to the new NSC by August 2016 and close out the project by September 2016. We will continue monitoring SSA's progress in migrating to the NSC and plan to issue another report in FY 2016.

Development and Implementation of Secure Electronic Services

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

Implementation of Major IT Projects

SSA has taken steps to get the DCPS project on track and ensure its successful completion. In March 2014, SSA contracted with an external firm to conduct an independent analysis of the DCPS project, and, in FY 2015, the Agency continued to evaluate and implement the firm's recommendations. Through a dedicated Chief Program Office, the Agency has increased user engagement and is identifying core functionality requirements—common to all DDSs—that will be used to develop the system.

WHAT THE AGENCY NEEDS TO DO

Address the deficiencies identified by the independent auditor that, when aggregated, are considered to be a significant deficiency in SSA's information security program.

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

Ensure the electronic services the Agency provides are secure.

Ensure the Agency's IT planning and investment control processes are effective.

Key Related Performance Measures

The key IT related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Improve access to services by increasing the number of citizens who complete their business online.
- Maintain high customer satisfaction with online services.
- Provide the public with access to personalized information by increasing the number of established *my* Social Security accounts.
- Provide uninterrupted access to systems during scheduled times of operation.
- Ensure the continuity of operations by transitioning IT production functions to the NSC by FY 2016.
- Enhance systems performance and reliability by upgrading the telecommunications infrastructure.
- Maintain reliable IT services by continually assessing business and infrastructure applications to identify those that are high risk and determine strategies to renovate, replace, or retire them.
- Explore the use of emerging technologies by establishing a testing lab to promote research and development of innovative technology solutions that provide more effective and flexible ways for the public to conduct business online and for employees to complete their work.
- Provide secure and effective services to the public by improving cyber-security performance.

Most of the performance measures measure outputs. For example, the last performance measure is worded to measure the outcome of secure services but only measures the output of implementing systematic controls. To measure the desired outcome of the systematic controls, SSA should measure whether the controls prevent outside infiltrations of SSA systems.

Key Related Links

OIG Report – *The Social Security Administration's Compliance with the Federal Information Security Management Act of 2002 for Fiscal Year 2014* (A-14-14-24083), October 2014.

OIG Report - *The Social Security Administration's Financial Report for Fiscal Year 2014* (A-15-14-14084), November 2014.

OIG Report - *The Social Security Administration's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project (Limited Distribution)* (A-14-14-24130), May 2015.

OIG Report – *Progress Report on the Social Security Administration's National Support Center* (A-14-15-15006), August 2015.

OIG Report – *Observations and Recommendations for the Disability Case Processing System* (A-14-15-50008), May 2015.

OIG Report – *The Social Security Administration's Disability Case Processing System* (A-14-15-15016), November 2014.

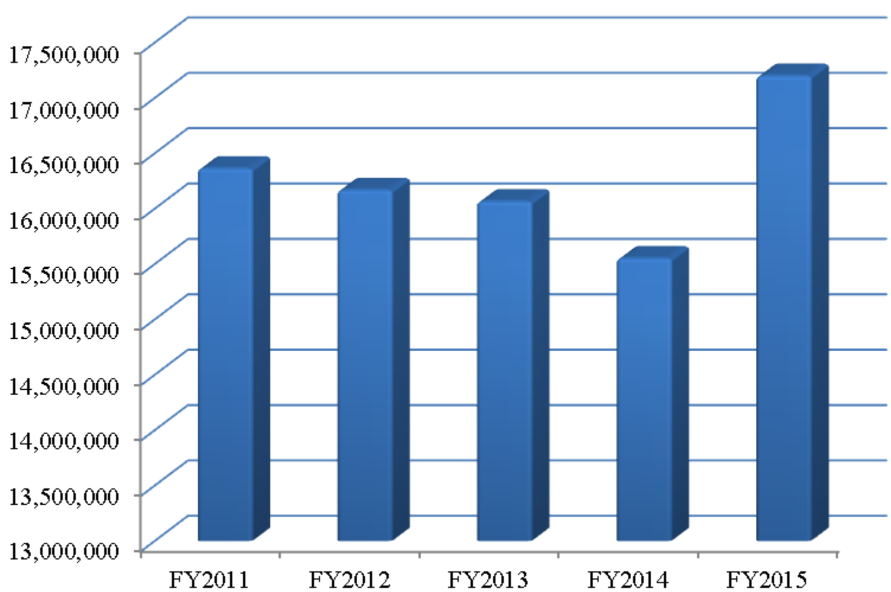
Strengthen the Integrity and Protection of the Social Security Number

Challenge

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

As shown in Figure 9, SSA issued over 17 million original and replacement SSN cards in FY 2015. In addition, the Agency received and processed about 275 million wage items in FY 2015. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and eligible individuals receive the full benefits due them.

Figure 9: Original and Replacement SSN Cards Issued



SSN Use

The SSN is heavily relied on as an identifier in U.S. society and is valuable as an illegal commodity. Additionally, the SSN is critical in accurately recording workers' earnings on which future benefit payments are based. For these reasons, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

SSN Misuse

While SSA has improved its enumeration process, given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protection of this critical number is a considerable challenge for SSA as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control how other entities collect, use, and protect it. Our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability individuals could use them to commit crimes. For example, some educational institutions unnecessarily collect and use SSNs as a primary student identifier. A March 2015 study revealed that 12.7 million consumers were victims of identity fraud in 2014. Two-thirds of these victims had received a data breach notification in the same year.

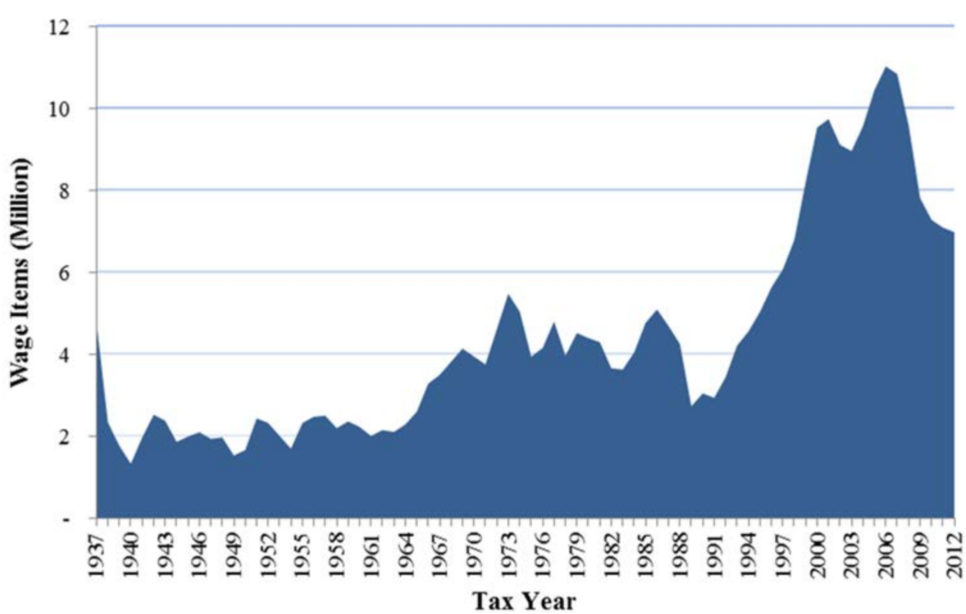
We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. We are also concerned that some individuals misuse SSNs for identity theft purposes. In addition, recent audit work determined that over 6 million numberholders age 112 or older had no death information on their Numident records. The accuracy and completeness of death information is critical because Federal benefit paying entities, the Department of Homeland Security, the Internal Revenue Service, State and local governments, and private industry customers rely on the Death Master File to detect unreported deaths and prevent fraud.

Earnings

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

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over $1.2 trillion in wages and 333 million wage items for Tax Years 1937 through 2012. In Tax Year 2012 alone, SSA posted 6.9 million wage items, representing $71 billion, to the ESF. From Tax Years 2003 to 2012, the ESF grew by approximately $749 billion in wages and 90 million wage items, representing about two-thirds of the total wages in the ESF and one-third of the total wage items.

Figure 10: ESF Suspended W-2s (1937 to 2012)



Agency Actions

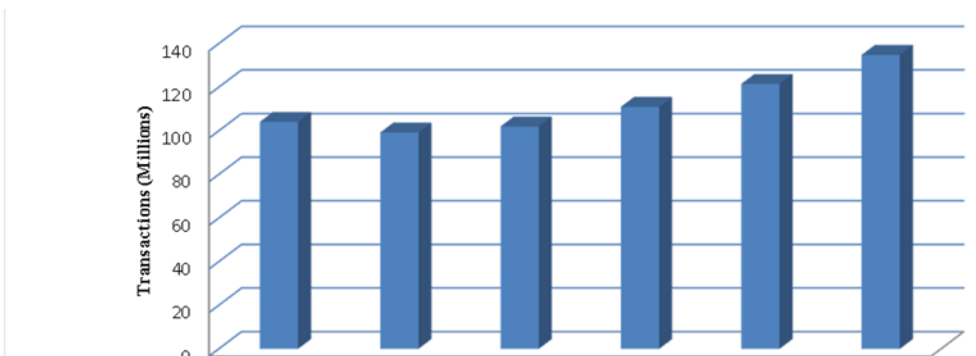
SSA has taken steps to streamline its enumeration process. For example, SSA is developing an Internet-based Social Security Number Replacement Card application. This will allow SSA to reduce the number of replacement card requests in field offices and Social Security Card Centers. While we believe this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

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

Social Security Number Verification Service

SSA has taken steps to reduce the size and growth of the ESF. The Agency has offered employers the ability to verify the names and SSNs of their employees using the Agency's Social Security Number Verification Service (SSNVS), which is an online verification program, before reporting wages to SSA. In FY 2015, approximately 34,000 employers were registered to use the service and the service was used to check over 134 million SSNs.

Figure 11: SSNVS Verifications FYs 2010 Through 2015

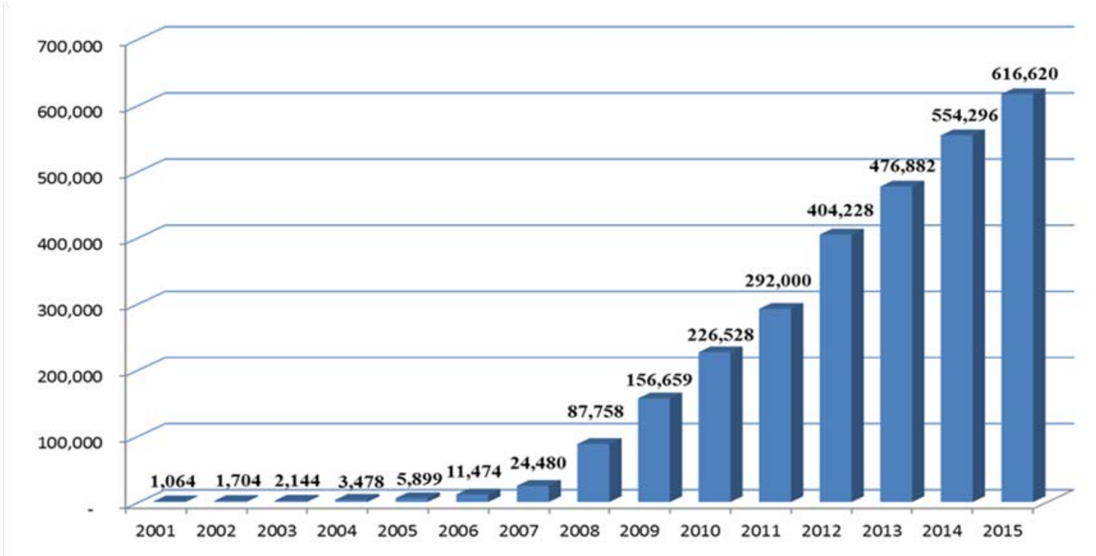


Fiscal Year	2010	2011	2012	2013	2014	2015
Transactions (Millions)	104.1	99.2	102	111	121.5	134.8
Employers	39,471	41,775	40,702	47,114	36,712	34,496
Mismatch Rate	5.94	3.77	3.38	4.28	5.6	6.3

E-Verify

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. According to the Department of Homeland Security, over 616,000 employers have enrolled to use E-Verify, and, since its inception in 2001, E-Verify's enrollment has steadily increased. In FY 2015, employers submitted more than 31.6 million queries.

Figure 12: Enrollment in E-Verify



WHAT THE AGENCY NEEDS TO DO

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

Take steps to ensure the accuracy and completeness of the Death Master File.

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

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

Key Related Performance Measures

The key SSN-related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Expand the services available under *my* Social Security by implementing an online Social Security Number Replacement Card application.
- Redesign the earnings system to improve the accuracy and timeliness of the earnings data used to calculate benefits.

The first bullet measures the output of developing and testing an online SSN replacement card application. Given the investment needed to create an online SSN replacement card option, it should improve services and a performance measure should measure that improvement, like increased timeliness, accuracy, or customer satisfaction. The second bullet appears to measure the outcome of more accurate and timely earnings data and benefit calculations, but it only measures the output of a redesigned system. SSA should measure the outcome of the redesigned system, such as improved accuracy or timeliness of earnings data.

Key Related Links

OIG Report – *Status of the Earnings Suspense File* (A-03-15-50058), September 2015.

OIG Report – *Access Controls over the Business Services Online (Limited Distribution),* (A-03-15-13015), June 2014.

OIG Report – *Improper Use of Children's Social Security Numbers* (A-03-12-21269), March 2014.

OIG Report – *Numberholders Age 112 or Older Who Did Not Have a Death Entry on the Numident* (A-06-14-34030), March 2015.

OIG Report – *The Social Security Administration's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project (Limited Distribution)* (A-14-14-24130), May 2015.

OIG Report – *Internet Social Security Number Replacement Card Project (Limited Distribution)* (A-08-14-24096), July 2014.

OIG Report – *Potential Misuse of Foster Children's Social Security Numbers* (A-08-12-11253), September 2013.

OIG Report – *Noncitizens Issued Multiple Social Security Numbers* (A-06-10-20155), December 2012.

Inspector General Testimony – *Hearing on Social Security's Death Records*, February 2012.

OIG Report – *Controls for Issuing Social Security Number Printouts* (A-04-11-11105), December 2011.

OIG Report – *Kindergarten Through 12th Grade Schools' Collection and Use of Social Security Numbers* (A-08-10-11057), July 2010.

Strengthen Planning, Transparency, and Accountability

Challenge

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

Planning

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

Transparency

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

This document lists SSA's FY 2015 key performance measures. Similar to our previous comments on the Agency's metrics, SSA's FY 2015 performance measures could be more outcome-based. While many appear to measure outcomes because of the manner in which they are worded, they still mostly measure outputs. For example, one performance measure, *Enhance Our Security Features and Business Processes to Prevent and Detect Fraud*, appears to measure the prevention and detection of fraud. However, the data definition for the measure reveals that SSA is only measuring public fraud referrals. While fraud referrals may help detect and prevent fraud, the fraud referrals are steps in the process, not the desired outcome. The fraud referrals could be erroneous reports of fraud that SSA spends its resources investigating without achieving what it intended to achieve. SSA should measure the percentage of referrals that actually detect or prevent fraud to show the true outcome of the process being implemented. Measuring outputs, or steps in a process, does not inform the public whether SSA is managing towards the outcomes it needs to efficiently and effectively provide its services and meet its mission.

Accountability

Independent Auditor's Report

The FY 2015 *Independent Auditor's Report* contained three significant deficiencies in internal control (the full text of the report can be found in SSA's FY 2015 *Agency Financial Report*).

The auditor identified three deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to calculation, recording, and prevention of overpayments. Specifically, the auditor noted calculation errors in 24 percent of the overpayment items selected in a statistical sample. In addition, SSA has a systems limitation where overpayment installments extending past the year 2049 are not tracked and reported. Further, SSA was not reconciling data between systems to detect discrepancies, which could lead to overpayment errors.

The auditor identified deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to redeterminations. Testing identified instances where redetermination interviewers did not comply with established controls policies, and results were not appropriately recorded.

The auditor identified information system control deficiencies in four areas that, when aggregated, were considered to be a significant deficiency over information systems controls. The areas included

- Threat and Vulnerability Management;
- Information Technology Oversight and Governance;
- Change Management; and
- Access Controls.

SSA's Anti-Fraud Programs

SSA is under increased scrutiny after a number of highly publicized cases of fraud became the subject of congressional hearings. We hired a contractor to complete a fraud risk assessment of SSA's anti-fraud activities and found that SSA did not track all instances of fraud or use a risk-based approach for combatting fraud. The contractor also concluded that the Agency could be more proactive in addressing and mitigating new fraud schemes and improving the design and operating effectiveness of anti-fraud measures.

Agency Actions

At Congress' request, SSA contracted with the National Academy of Public Administration to develop a vision and high-level strategic plan aimed at helping the Agency address the continuing service delivery challenges it may face. SSA used the Academy's report and additional stakeholder input to develop its *Vision 2025*, which it released in FY 2015. Per SSA, *Vision 2025* is a critical first step in planning how it will serve the public in the future. Per *Vision 2025*, SSA's Chief Strategic Officer will work with Agency leaders to identify critical milestones for its future strategic plans, which the Agency will use to help create the strategic roadmap for the next 10 years.

We are concerned that *Vision 2025* itself does not include the critical milestones and strategic roadmap needed to steer the Agency toward the organization of the future. In a letter to the Acting Commissioner of Social Security, the Chairman of the Social Security Subcommittee, concluded that *Vision 2025* lacked sufficient detail and did not include any specific goals to guide SSA when it attempts to implement the vision.

The Acting Commissioner has made addressing the internal control significant deficiencies a priority. Specifically, SSA has changed how it monitors discrepancies or inaccuracies in benefit payments. Also, SSA has taken a number of steps to increase its anti-fraud activities. For example, in November 2014, it established the Office of Anti-Fraud Programs to efficiently and effectively detect, deter, and mitigate fraud, waste, and abuse in its programs. SSA also has fraud prosecutors who work with offices of the U.S. Attorney to bring Federal criminal charges against individuals who defraud Social Security programs.

What the Agency Needs To Do

SSA needs to develop and effectively implement long-range goals and a strategic roadmap to achieve those goals. While SSA developed its *Vision 2025*, it does not provide clear goals for the Agency or define the steps needed to achieve the vision. Also, SSA should develop performance measures that address its long-term outcomes.

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

SSA needs to be more proactive in addressing and mitigating new fraud schemes and improve the design and operating effectiveness of anti-fraud measures.

Key Related Agency Performance Measures

The key planning, transparency, and accountability related performance measures from SSA's FY 2015 *Annual Performance Plan* are listed below.

- Evaluate the Agency's physical footprint as described in its Office of Management and Budget-approved *Real Property Cost Savings and Innovation Plan*.
- Maintain the target veteran and disabled veteran new hire percentage to improve their representation in SSA's workforce.
- Achieve the target on-board representation of employees with targeted disabilities.
- Maintain status as one of the Top Best Places to Work among large agencies in the Federal Government.
- Increase workplace flexibilities by expanding telework participation among employees.
- Enhance security features and business processes to prevent and detect fraud.
- Improve talent management to strengthen the competence of SSA's workforce.
- Achieve target number of human capital metrics to ensure progress toward building a model workforce.

The desired outcomes for some of these performance measures are not clear. For example, SSA includes the evaluation of its physical footprint as one performance measure. It is not clear what SSA hopes to gain from this evaluation. Without knowing what is to be gained by the activity, it is hard to determine its value. Also, it is hard to determine what is being measured because the average person will not know what the Office of Management and Budget -approved *Real Property Cost Savings and Innovation Plan* is.

In another case, the performance measure is worded to measure an outcome, the prevention and detection of fraud, but only measures a process or output, which is a fraud referral system in *my* Social Security. While fraud referrals are a step in the right direction, they do not measure the desired outcome of detecting and preventing fraud. SSA should measure the percentage of referrals that actually detect or prevent fraud to show the true outcome of the process being implemented. In fact, if SSA does not measure that, it will not know whether the fraud referral system is helping detect or prevent fraud. It could get many referrals, but none may lead to actually preventing fraud. If that were the case, SSA would need to re-evaluate the process. SSA should measure its desired outcomes whenever possible.

Key Related Links

National Academy of Public Administration report – *Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030*, July 2014.

OIG Report - *The Social Security Administration's Financial Report for Fiscal Year 2014* (A-15-14-14084), November 2014.

OIG Report – *Fraud Risk Performance Audit of the Social Security Administration's Disability Programs* (A-15-15-25002), April 2015.

SSA's *SSA Annual Performance Report 2014 – 2016 (Annual Performance Plan for FY 2016, Revised Performance Plan for FY 2015, and Annual Performance Report for FY 2014*).

SSA's *Vision 2025*.

CONCLUSION

This report describes SSA's most pressing management and performance challenges. While we understand the Agency has competing priorities and limited resources, it must bring more attention to the issues outlined in this document to ensure it effectively and efficiently serves the American public. We look forward to working with the Agency in identifying ways it can continue to improve its performance and manage its programs in a more secure and transparent manner.

Steven L. Schaeffer, JD, CPA, CGFM, CGMA
Assistant Inspector General for Audit

OTHER REPORTING REQUIREMENTS

Summary of Financial Statement Audit and Management Assurances

Summary of Financial Statement Audit Table

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

Summary of Management Assurances Table

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

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

Entitlement Reviews and Office of the Inspector General Anti-Fraud Activities

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

Entitlement Reviews

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

Disability Quality Assurance Reviews

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal years (FY) 2011 through FY 2015.

Quality Assurance Reviews Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	98.4%	98.5%	98.1%	98.1%	97.7%
Number of cases reviewed	32,807	32,262	31,672	29,780	29,360
Number of cases returned to the DDSs due to error or inadequate documentation	524	476	608	577	663

DI Preeffectuation Reviews

We also perform preeffectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of preeffectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review (CDR) continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI preeffectuation accuracy rates for FY 2011 through FY 2015.

DI Preeffectuation Reviews Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percent of State DDS decisions to allow or continue not returned to the DDSs for correction	97.4%	97.4%	97.1%	96.9%	96.4%
Number of cases reviewed	390,480	362,250	333,159	316,306	293,015
Number of cases returned to the DDSs due to error or inadequate documentation	10,246	9,414	9,619	9,689	10,647

SSI Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we also use a profiling system to select cases for review. The following table shows the SSI preeffectuation accuracy rates for FY 2011 through FY 2015.

SSI Preeffectuation Reviews Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Percent of State DDS decisions to allow not returned to the DDSs for correction	97.9%	97.9%	97.7%	97.6%	97.1%
Number of cases reviewed	124,401	116,681	109,645	105,628	104,808
Number of cases returned to the DDSs due to error or inadequate documentation	2,612	2,430	2,530	2,562	2,988

Continuing Disability Reviews

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2011 through FY 2015.

CDR Accuracy Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Overall accuracy	97.7%	97.9%	97.2%	97.6%	96.7%
Continuance accuracy	98.3%	98.6%	98.0%	98.3%	97.3%
Cessation accuracy	96.0%	95.8%	95.1%	95.5%	95.0%

OASDI and SSI Quality Assurance Reviews

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2011 through FY 2014. Data for FY 2015 is not available at this time. We will report the FY 2015 data in our FY 2016 *Agency Financial Report.*

OASDI Accuracy Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Overpayment accuracy	99.7%	99.8%	99.8%	99.5%	Data not yet available
Underpayment accuracy	99.9%	99.9%	99.9%	99.9%	Data not yet available

SSI Accuracy Table

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Overpayment accuracy	92.7%	93.7%	92.4%	93.0%	Data not yet available
Underpayment accuracy	98.2%	98.2%	98.3%	98.5%	Data not yet available

SSI Redeterminations

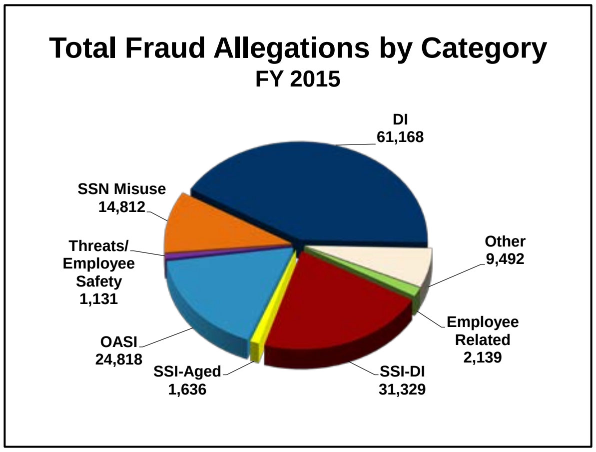
Once individuals become entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits; therefore, we must reflect those changes in our records. SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2011 through FY 2015.

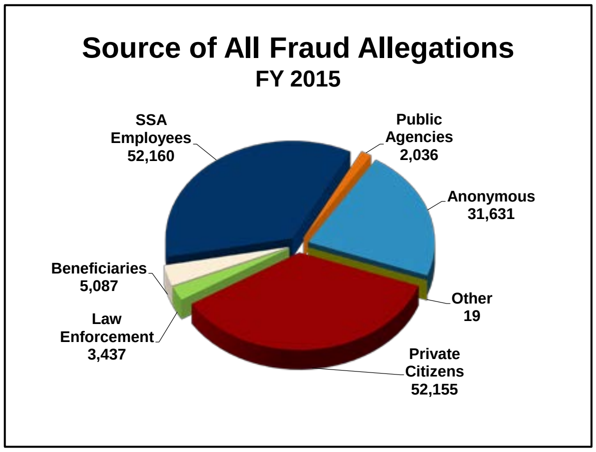
SSI Redeterminations Table
(in millions)

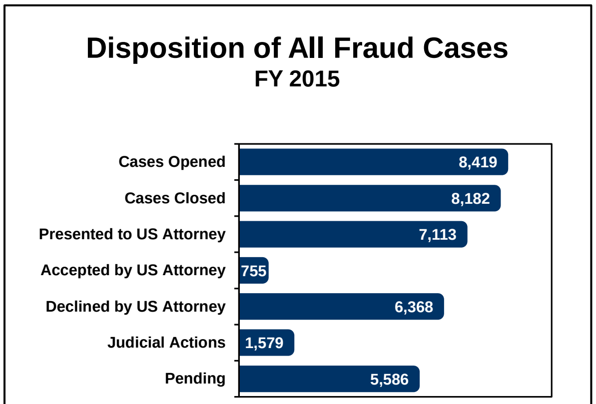
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Number of redeterminations completed	2.457	2.624	2.634	2.628	2.267

The Office of the Inspector General's Anti-Fraud Activities

In FY 2015, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.







*The number of cases accepted by the U.S. Attorney's Office (755) is expected to increase as OIG continues to address the allegations/cases received/opened in FY 2015.

Civil Monetary Penalties

For FY 2015, pursuant to two sections of the *Social Security Act*, the Commissioner of Social Security had the authority to impose a civil monetary penalty (CMP) in amounts ranging from $5,000 to $25,000, depending on the nature of the offense. Section 1129 of the *Social Security Act* authorizes a CMP against anyone who makes any false statements or representations in connection with obtaining or retaining benefits or payments under the OASDI, SSI, and Special Veterans Benefits programs. Section 1140 of the *Social Security Act* authorizes CMPs to protect the public from fraudulent schemes that make use of our agency's well-known name and reputation. The Commissioner of Social Security delegated authority to enforce both sections to OIG.

For FY 2015, Section 4 of the *Federal Civil Penalties Inflation Adjustment Act of 1990* (Adjustment Act), as amended by the *Debt Collection Improvement Act of 1996*, specifically excluded CMPs issued under the *Social Security Act* from adjustments for inflation under the Adjustment Act. Therefore, the following table does not apply to our agency for FY 2015 reporting.

Civil Monetary Penalty Adjustments

Penalty	Authority	Date of Previous Adjustment	Date of Current Adjustment	Current Penalty Level
Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

Biennial Review of User Fee Charges

Summary of Fees

In FY 2014 and FY 2015, we earned $389 million and $306 million in user fees, respectively. This revenue accounted for less than 1 percent of our total financing sources. We derive over 70 percent of user fee revenues from agreements with 21 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2015, we charged a fee of $11.55 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.56 for FY 2016. Pursuant to Section 1616(d)(2)(B) of the *Social Security Act*, we adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. In addition, we charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

Biennial Review

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

Freeze the Footprint

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

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

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

Square Footage Table

	FY 2012 Baseline	FY 2014	Change from Baseline	FY 2015*	Change from Baseline
Usable square footage	26,367,253	25,241,806	-1,125,447 or 4.27%	25,028,739	-1,338,514 or 5.08%

Note:

*Estimated, as the final usable square footage is not available from GSA until the second quarter of FY 2016.

Operation and Maintenance Cost – Owned and Direct Lease Buildings Table

	FY 2012 Reported Cost	FY 2014	Change	FY 2015	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

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

- Analyzing rent trend projections while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;
- Optimizing space use by identifying and improving the overall use rate in new projects;
- Reviewing field and hearing office Federal building occupancies to determine if the current space meets our agency's business and mission needs based on current space standards and staffing levels; and
- Vacating 1 headquarters leased building in FY 2016 to reduce our portfolio by approximately 140,000 usable square feet.

Debt Management

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

We identified a system limitation in the processing of certain overpayments. In July 2011, the Government Accountability Office (GAO) issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." In that audit, GAO identified an OASDI system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 55,000 debts are affected by payment plans extending beyond the year 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $641 million. This amount is not material to the consolidated financial statements.

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

FY 2015 Quarterly Debt Management Activities
Programmatic and Administrative Activity Table

Dollar Totals (in millions)	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$18,174	$18,476	$19,078	$19,361
New receivables	1,090	2,461	4,350	5,865
Total collections	(897)	(1,754)	(2,702)	(3,692)
Adjustments	(131)	(199)	(369)	(446)
Total write-offs	(140)	(284)	(453)	(618)
- Waivers	(82)	(169)	(258)	(342)
- Terminations	(58)	(115)	(195)	(276)
Aging schedule of debts:				
- Non delinquent debt	11,317	11,657	12,154	12,210
- Delinquent debt				
- 180 days or less	1,557	1,353	1,328	1,437
- 181 days to 10 years	4,715	4,856	4,953	5,034
- Over 10 years	585	610	643	680
- Total delinquent debt	$6,857	$6,819	$6,924	$7,151

Debt Management Activities
Programmatic and Administrative Activity Table

Dollar Totals (in millions)	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
Total receivables	$15,854	$16,588	$17,046	$18,252	$19,361
New receivables	6,102	5,955	5,616	5,976	5,865
Total collections	(3,633)	(3,663)	(3,817)	(3,686)	(3,692)
Adjustments	(809)	(536)	(391)	(309)	(446)
Total write-offs	(1,018)	(1,022)	(950)	(775)	(618)
- Waivers	(546)	(502)	(421)	(373)	(342)
- Terminations	(472)	(520)	(529)	(402)	(276)
Non delinquent debt	11,190	11,589	11,268	11,895	12,210
Total delinquent debt	$4,664	$4,999	$5,778	$6,357	$7,151
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	70.6%	69.9%	66.1%	65.2%	63.1%
- Delinquent	29.4%	30.1%	33.9%	34.8%	36.9%
% of debt estimated to be uncollectible*	27.8%	27.3%	26.3%	25.5%	24.2%
% of debt collected	22.9%	22.1%	22.4%	20.2%	19.1%
% change in collections from prior fiscal year	-0.5%	0.8%	4.2%	-3.4%	0.2%
% change in delinquencies from prior fiscal year	12.2%	7.2%	15.6%	10.0%	12.5%
Clearances as a % of total receivables	29.3%	28.2%	28.0%	24.4%	22.3%
- Collections as a % of clearances	78.1%	78.2%	80.1%	82.6%	85.7%
- Write-offs as a % of clearances	21.9%	21.8%	19.9%	17.4%	14.3%
Other Analysis					
Cost to collect $1	$0.08	$0.07	$0.07	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	15	15	15	15	16
- DI	38	49	66	55	62
- SSI	35	36	38	39	43

Note:

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

Definitions:

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

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

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

IMPROPER PAYMENTS INFORMATION DETAILED REPORT

Background

Our Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) program integrity workloads are critical to ensuring efficient programs and accurate payments. We take our responsibility to reduce improper payments very seriously. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. "Strengthen the Integrity of Our Programs" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years* (FY) *2014 - 2018* (www.socialsecurity.gov/asp/plan-2014-2018.pdf). Each year, we report improper payment findings, both overpayments and underpayments, from our stewardship reviews of the non-medical aspects of the OASI, DI, and SSI programs. Regarding the medical aspects of our disability programs, we conduct continuing disability reviews (CDR) to determine whether disability beneficiaries continue to meet the programs' medical criteria. However, terminating disability benefits after a CDR may not mean that the original determination was incorrect, it may mean the beneficiary's medical condition has improved to the point he or she can work. Therefore, the benefits he or she received prior to improvement may not be improper.

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) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), 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.

OMB has designated 16 Federal programs as "high-priority programs." As outlined in OMB's IPERIA guidance, any program with $750 million in improper payments qualifies as a high-priority program, and agencies must report improper payments in those programs. Two of our programs meet OMB's definition of high-priority programs: the OASDI program and the SSI program.

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

We provide 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*, at our public improper payments website (www.socialsecurity.gov/improperpayments).

Risk Assessment and Statistical Sampling

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 1a for details of our OASI and DI improper payments, and Table 1c 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. We provide additional information on this risk assessment of our administrative payments in the Risk Assessment: Administrative Payments section of this improper payments report.

We evaluated our FY 2014 administrative expenses and determined they were not susceptible to significant improper payments as defined by IPIA.

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.

Risk Assessment: Administrative Payments

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 completed in FY 2014 by an independent accounting firm in support of our *Federal Managers' Financial Integrity Act* (FMFIA) 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.

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, contact third parties for additional information if needed, and redevelop all non-medical factors of eligibility as of the sample month to determine whether the payment was correct. We express any difference between what we actually paid and what the reviewer determines we should have paid as an overpayment or underpayment error. We based the data in the OASDI and SSI Improper Payments Experience tables on cases sampled in FY 2014. For government-wide reporting purposes, our FY 2014 findings are treated as FY 2015 data. We will not have FY 2015 data until April 2016. We will report our findings from the FY 2015 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. We base our corrective actions for our high-priority programs on the information we obtain from the stewardship reviews. We focus our efforts on major causes of improper payments, both overpayments and underpayments.

Improper Payment Reporting

Improper Payments Strategy

For FY 2015, 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 eight 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;
- Make better use of data exchanges; 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 Improper Payments Root Causes and Corrective Actions section of this improper payments report. We discuss initiatives that affect improper payments in both programs in the Efforts to Reduce Fraud, Waste, and Abuse in the OASDI and SSI Programs section of this improper payments report.

In our *Annual Performance Report for FYs 2014-2016*, one of our strategic objectives to achieve our Strategic Goal is: Increase Payment Accuracy. To reach this strategic objective, we identified the following five performance measures:

- Reduce the percentage of improper payments made under the SSI program;
- Maintain the low percentage of improper payments made under the OASDI program;
- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments;
- Complete the budgeted number of full medical CDRs; and
- Complete the budgeted number of SSI non-medical redeterminations.

We discuss our strategies to achieve these performance measures in our *Annual Performance Report for FYs 2014 - 2016* (www.ssa.gov/agency/performance/2016/FINAL_2014_2016_APR_508_compliant.pdf).

Experience and Outlook in the OASI, DI, OASDI, and SSI Programs

OMB requires agencies that have programs or activities that are susceptible to significant improper payments to list the programs and related improper payment rates in one table. Table 1 shows the improper payment rates for the OASI, DI, OASDI, and SSI programs for FYs 2013 and 2014. In Table 1, we also include our improper payment rates for funds we spent to support Hurricane Sandy recovery activity, since they are also considered susceptible to significant improper payments by the *Disaster Relief Appropriations Act of 2013* (DRAA). 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. We calculate the improper payment (IP) rate by adding overpayment and underpayment dollars and dividing the sum total dollars paid. This table also presents our accuracy targets for FYs 2015, 2016, and 2017 for the OASDI and SSI programs.

Please see Table 1a for more details about our improper payment rates for the OASI and DI programs for FYs 2012, 2013, and 2014, and see Table 1b for more details about our combined OASDI Improper Payments Reduction Outlook for FYs 2015, 2016, and 2017. For our SSI program, please see Table 1c for more details about our improper payment rates for the SSI program for FYs 2012, 2013, and 2014, and see Table 1d for more details about our SSI Improper Payments Reduction Outlook for FYs 2015, 2016, and 2017.

Table 1: Improper Payment Reduction Outlook[1,2,3,4,5,6]
FY 2013 – FY 2017
(dollars in millions)

	OASI	DI	OASDI	SSI	DRAA[7,8,9]	Total
FY 2013 Outlays	$692,672.98	$131,518.38	$824,191.36	$55,349.89	$0.90	$879,542.15
2013 IP %	0.26%	0.88%	0.36%	9.23%	0.00%	0.92%
2013 IP $	$1,790.84	$1,160.94	$2,951.77	$5,107.31	$0.00	$8,059.08
FY 2014 Outlays	$720,351.38	$142,368.41	$862,719.79	$56,457.56	$0.081	$919,177.43
2014 IP %	0.45%	1.25%	0.58%	8.44%	0.00%	1.07%
2014 IP $	$3,253.32	$1,784.87	$5,038.19	$4,764.74	$0.00	$9,802.93
2014 Overpayment $	$2,962.06	$1,603.68	$4,565.74	$3,924.48	$0.00	$8,490.22
2014 Underpayment $	$291.26	$181.19	$472.45	$840.26	$0.00	$1,312.71
2015 Est. Outlays			$878,710.29	$57,454.00	$0.00	$936,164.29
2015 Est. IP %[6]			0.40%	6.20%	0.00%	0.76%
2015 Est. IP $			$3,514.84	$3,562.15	$0.00	$7,076.99
2016 Est. Outlays			$919,281.25	$58,237.62	$0.00	$977,518.87
2016 Est. IP %[6]			0.40%	6.20%	0.00%	0.75%
2016 Est. IP $			$3,677.13	$3,610.73	$0.00	$7,287.86
2017 Est. Outlays			$966,749.10	$59,155.05	$0.00	$1,025,904.15
2017 Est. IP %[6]			0.40%	6.20%	0.00%	0.73%
2017 Est. IP $			$3,867.00	$3,667.61	$0.00	$7,534.61

Notes:

1. Total OASDI and SSI outlays for FYs 2013 and 2014 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 2015 data will not be available until late April 2016; therefore, the rates shown for FY 2015 are targets.
3. Total OASDI estimated outlays for FYs 2015-2017 are estimates consistent with projections for the Mid-Session Review of the President's FY 2016 Budget. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
4. Total SSI estimated outlays for FYs 2015-2017 are estimates consistent with projections for the Mid-Session Review of the President's FY 2016 Budget, adjusted to be presented on a constant 12 month per year payment basis.
5. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. Percentages are derived from unrounded source data.
6. OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. In addition, in this report, we discuss the major causes of our OASDI and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2014, each tenth of a percentage point in payment accuracy represents about $862 million in program outlays for the OASDI program and about $56.5 million in program outlays for the SSI program. Given our improper payment results, we will work with OMB over the coming year to agree to more realistic targets.
7. Total FY 2013 DRAA payments represent the total outlays against the obligations. The FY 2013 DRAA obligations were for $1,021,379. The current unpaid obligation balance is $29,519. We realized recoveries of $6,257 on previously recorded unpaid obligations.
8. Total FY 2014 DRAA payments represent the total outlays in FY 2014 against the FY 2013 obligations.
9. We had no DRAA payments in FY 2015. In addition, there is no additional funding or obligations for DRAA.

OASDI Experience and Reduction Outlook

Over the last 5 years (FYs 2010-2014), our stewardship reviews estimate that we paid approximately $3.2 trillion to OASI beneficiaries. Of that total, we estimate $7.1 billion were overpayments, representing approximately 0.22 percent of outlays. We estimate that underpayments during this same period were $2.5 billion, the equivalent of approximately 0.08 percent of outlays.

Applying the same analysis to the DI program, we estimate that we paid $652 billion to DI beneficiaries over the last 5 years (FYs 2010-2014). Of that total, we estimate $6 billion were overpayments, representing approximately 0.92 percent of outlays. We estimate underpayments during this same period totaled $2.6 billion, the equivalent of approximately 0.4 percent of outlays.

Table 1a shows the improper payment rates for the OASI and DI programs for FYs 2012, 2013, and 2014.

Table 1a: OASDI Improper Payments Experience FY 2012 – FY 2014 (dollars in millions)

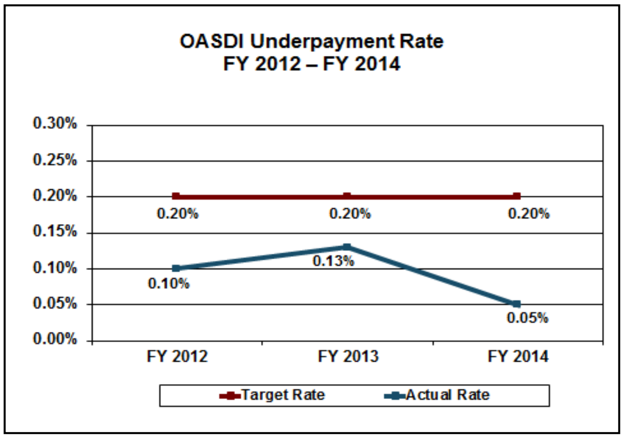
	FY 2012		FY 2013		FY 2014	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	$643,136.49		$692,672.98		$720,351.38	
Underpayment Error	$517.14	0.08%	$682.09	0.10%	$291.26	0.04%
Overpayment Error	$469.17	0.07%	$1,108.75	0.16%	$2,962.06	0.41%
DI						
Total Benefit Payments	$127,151.11		$131,518.38		$142,368.41	
Underpayment Error	$223.23	0.18%	$417.25	0.32%	$181.19	0.13%
Overpayment Error	$1,239.19	0.97%	$743.69	0.57%	$1,603.68	1.13%
Combined OASDI						
Total Benefit Payments	$770,287.60		$824,191.36		$862,719.79	
Underpayment Error	$740.37	0.10%	$1,099.33	0.13%	$472.45	0.05%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	$1,708.36	0.22%	$1,852.44	0.22%	$4,565.74	0.53%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FYs 2012, 2013, and 2014 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 2015 data will not be available until April 2016.
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 2012, +0.05 percent and -0.06 percent for underpayments and ±0.04 percent for overpayments; for FY 2013, +0.10 percent and -0.13 percent for underpayments and +0.16 percent and -0.17 percent for overpayments; and for FY 2014, +0.03 percent and -0.05 percent for underpayments and ±0.40 percent for overpayments.
5. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: for FY 2012, +0.17 percent and -0.26 percent for underpayments and +0.86 percent and -0.87 percent for overpayments; for FY 2013, +0.32 percent and -0.33 percent for underpayments and +0.57 percent and -0.61 percent for overpayments; and for FY 2014, +0.12 percent and -0.23 percent for underpayments and +0.12 percent and -1.76 percent for overpayments.
6. Changes in the OASDI error rates from FY 2012 to FY 2013 and from FY 2013 to FY 2014 are not statistically significant.

The graphs below show our estimated OASDI underpayment and overpayment rates for the last three years. For our FY 2014 stewardship review, the decrease in underpayment error rate is due to a reduction in annual earnings test errors and multi-entitlement computation errors. The increase in the FY 2014 overpayment error rate was caused by an increase in Substantial Gainful Activity (SGA) (a definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html), Windfall Elimination Provision (WEP) (a definition of WEP is available at: www.socialsecurity.gov/pubs/10045.html), and Government Pension Offset (GPO) errors. However, the respective changes in the rates are not statistically significant.

We are pursuing an internal systems initiative that will enhance our current process by generating alerts when a beneficiary is entitled on multiple records and WEP or GPO applies.



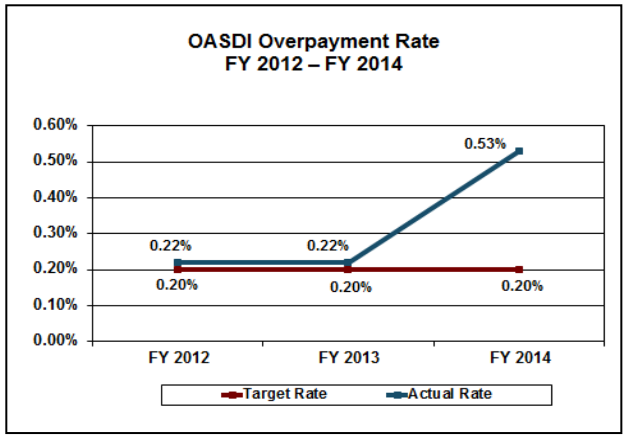


Table 1b presents our accuracy targets for FYs 2015, 2016, and 2017 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

Table 1b: OASDI Improper Payments Reduction Outlook[1,2,3]
FY 2015 – FY 2017
(dollars in millions)

	FY 2015 Target		FY 2016 Target		FY 2017 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Benefit Payments	$878,710.29		$919,281.25		$966,749.10	
Underpayments	$1,757.42	≤0.20%[4]	$1,838.56	≤0.20%[4]	$1,933.50	≤0.20%[4]
Overpayments	$1,757.42	≤0.20%[4]	$1,838.56	≤0.20%[4]	$1,933.50	≤0.20%[4]

Notes:

1. Total OASDI benefit payments for FYs 2015-2017 are estimates consistent with projections for the Mid-Session Review of the President's FY 2016 Budget.
2. FY 2015 data will not be available until late April 2016; therefore, the rates shown for FY 2015 are targets.
3. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
4. OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. In addition, in this report, we discuss the major causes of our OASDI and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2014, each tenth of a percentage point in payment accuracy represents about $862 million in program outlays for the OASDI program.

SSI Experience and Reduction Outlook

Over the last 5 years (FYs 2010-2014), our stewardship reviews estimate that we paid approximately $267.2 billion to SSI recipients. Of that total, we estimate $18.6 billion were overpayments, representing about 7 percent of outlays. We estimate that underpayments during this same period were $4.9 billion, the equivalent of approximately 1.8 percent of outlays.

Table 1c shows the improper payment rates for the SSI program for FYs 2012, 2013, and 2014.

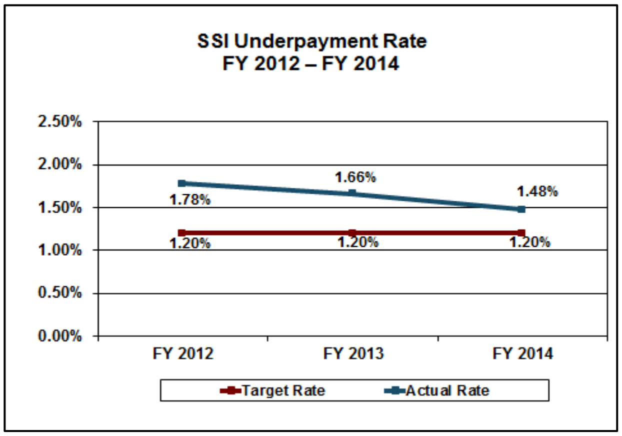
Table 1c: SSI Improper Payments Experience FY 2012 – FY 2014 (dollars in millions)

	FY 2012	FY 2013	FY 2014
Total Federally Administered Payments			
Dollars	$53,410.57	$55,349.89	$56,457.56
Underpayments			
Dollars	$948.41	$917.82	$840.26
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.78%	1.66%	1.48%
Overpayments			
Dollars	$3,386.67	$4,189.49	$3,924.48
Target Rate	≤5.00%	≤5.00%	≤5.00%
Actual Rate	6.34%	7.57%	6.95%

Notes:

1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
2. FY 2015 data will not be available until April 2016.
3. The percentages and dollar amounts presented in Table 1c 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 2012, ±0.53 percent for underpayments and ±1.78 percent for overpayments; for FY 2013, ±0.45 percent for underpayments and ±1.83 percent for overpayments; and for FY 2014, ±0.27 percent for underpayments and ±0.95 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 overpayment deficiency dollars in FY 2013.

The graphs below show our estimated SSI underpayment and overpayment rates for the last three years.



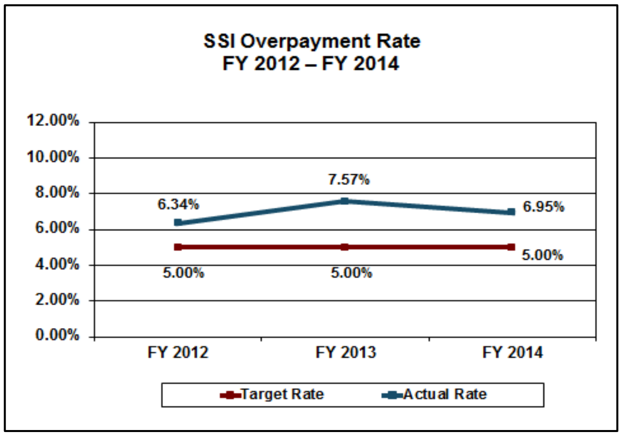


Table 1d shows our target accuracy goals for FYs 2015, 2016, and 2017 for the SSI program.

Table 1d: SSI Improper Payments Reduction Outlook[1,2]
FY 2015 – FY 2017
(dollars in millions)

	FY 2015 Target		FY 2016 Target		FY 2017 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Federally Administered Payments	$57,454.00		$58,237.62		$59,155.05	
Underpayments	$689.45	≤1.20%[3]	$698.85	≤1.20%[3]	$709.86	≤1.20%[3]
Overpayments	$2,872.70	≤5.00%[3]	$2,911.88	≤5.00%[3]	$2,957.75	≤5.00%[3]

Note:

1. Total federally administered SSI payments for FYs 2015-2017 are estimates consistent with projections for the Mid-Session Review of the President's FY 2016 Budget, adjusted to be presented on a constant 12 month per year payment basis.
2. FY 2015 data will not be available until late April 2016; therefore, the rates shown for FY 2015 are targets.
3. OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. In addition, in this report, we discuss the major causes of our OASDI and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2014, each tenth of a percentage point in payment accuracy represents about $56.5 million in program outlays for the SSI program.

High-Priority Programs - SSI Supplemental Measures and Targets

To comply with Executive Order 13520, as amended by IPERIA, we developed two 3-year SSI supplemental measures and targets for FYs 2015-2017:

1. Complete the number of budgeted non-medical redeterminations.

   The total number of SSI redeterminations we complete varies from year to year based on available resources and field office (FO) workload considerations. We completed approximately 2.267 million SSI redeterminations in FY 2015. The FY 2015 President's Budget, as appropriated, includes resources to complete 2.225 million SSI redeterminations. We anticipate the target will remain 2.622 million, subject to our funding in both FY 2016 and FY 2017.

2. Increase the number of successful wage reports received using SSI Telephone Wage Reporting (SSITWR) and SSI Mobile Wage Reporting (SSIMWR) by 6 percent from September of the previous fiscal year.

   The SSITWR system contains a dedicated telephone number to allow SSI beneficiaries and their representative payees to report the beneficiary's monthly wages by calling and using a combination of touch-tone entry and voice-recognition software. For FYs 2015-2017, our goal was and still is to increase the September combined SSITWR and SSIMWR successful wage reports by 6 percent from the prior September combined SSITWR and SSIMWR total.

These measures also support our Agency Priority Goal to improve the integrity of the SSI program by ensuring that 95 percent of our payments are free of improper payments. Our goal is to increase our SSI overpayment accuracy to 95 percent and our SSI underpayment accuracy to 98.8 percent by the end of FYs 2016 and 2017.

We discuss the SSI redeterminations workload in more detail in the Improper Payments Root Causes and Corrective Actions section.

The following tables reflect our supplemental targets and measures for FY 2015-2017.

Table 1e: SSI – Supplemental Measures and Targets FY 2015

Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility		
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability, Information Systems, and Other Infrastructure section of this improper payments report for information on our program savings.	By September 30, 2015, complete the budgeted amount of 2.225 million SSI non-medical redeterminations.	In FY 2015, we completed approximately 2.267 million SSI redeterminations.
Overpayment Due to Unreported Wages		
Cause: Beneficiaries and deemors fail to report their new or increased wages. **Error Amount:** $526 million (91 percent of all wage overpayment deficiency dollars and 12 percent of all overpayment deficiency dollars) in FY 2014.	In the month of September 2015, increase the number of wage reports we process using SSITWR and SSIMWR by 6 percent over the number in the month of September 2014.	In September 2015, we received 78,970 monthly wage reports, a 22 percent increase over September 2014.

Table 1f: SSI – Supplemental Measures and Targets FY 2016

Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility		
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability, Information Systems, and Other Infrastructure section of this improper payments report for information on our program savings.	By September 30, 2016, complete the budgeted amount of 2.622 million SSI non-medical redeterminations.	FY 2016 actual information not yet available.
Overpayment Due to Unreported Wages		
Cause: Beneficiaries and deemors fail to report their new or increased wages. **Error Amount:** $526 million (91 percent of all wage overpayment deficiency dollars and 12 percent of all overpayment deficiency dollars) in FY 2014.	By September 30, 2016, increase the number of monthly wage reports processed in time to prevent an improper payment by 6 percent over September 30, 2015.	FY 2016 actual information not yet available.

Table 1g: SSI – Supplemental Measures and Targets FY 2017

Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility		
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability, Information Systems, and Other Infrastructure section of this improper payments report for information on our program savings.	By September 30, 2017, complete the budgeted amount of SSI non-medical redeterminations.	FY 2017 actual information not yet available.
Overpayment Due to Unreported Wages		
Cause: Beneficiaries and deemors fail to report their new or increased wages. **Error Amount:** $526 million (91 percent of all wage overpayment deficiency dollars and 12 percent of all overpayment deficiency dollars) in FY 2014.	By September 30, 2017, increase the number of monthly wage reports processed in time to prevent an improper payment by 6 percent over September 30, 2016.	FY 2017 actual information not yet available.

Improper Payments Root Causes and Corrective Actions

Table 2 lists the major causes of improper payment (overpayments and underpayments) in the OASDI and SSI programs using OMB's seven categories of error. In addition, to be consistent with with our reporting in Table 1, we included DRAA payments.

Table 2: Improper Payment Root Cause Category Matrix for FY 2014
(dollars in millions)

	OASDI Program		SSI Program		DRAA	
Reason for Improper Payment	**Overpayments**	**Underpayments**	**Overpayments**	**Underpayments**	**Overpayments**	**Underpayments**
Program Design or Structural Issue	$0	$0	$0	$0	$0	$0
Inability to Authenticate Eligibility	$0	$95	$3,518	$614	$0	$0
Failure to Verify:						
Death Data	$1	$2	$5	$0	$0	$0
Financial Data	$0	$0	$63	$51	$0	$0
Excluded Party List	$0	$0	$0	$0	$0	$0
Prisoner Data	$214	$0	$0	$0	$0	$0
Other Eligibility Data	$2,702	$152	$127	$32	$0	$0
Administrative or Process Error Made by:						
Federal Agency	$1,649	$224	$212	$143	$0	$0
State or Local Agency	$0	$0	$0	$0	$0	$0
Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)	$0	$0	$0	$0	$0	$0
Medical Necessity	$0	$0	$0	$0	$0	$0
Insufficient Documentation to Determine	$0	$0	$0	$0	$0	$0
Other Reason (a) (explain)	$0	$0	$0	$0	$0	$0
Other Reason (b) (explain)	$0	$0	$0	$0	$0	$0
TOTAL	$4,566	$472	$3,924	$840	$0	$0

Notes:

1. Data Source: FY 2014 OASDI and SSI Stewardship reviews.
2. There may be slight variances in the dollar amounts reported due to rounding of source data.
3. Beginning in 2015, OMB required us to categorize improper payments in our programs into seven categories as defined below:
   - **Program Design or Structural Issue** – Improper payments resulting from the design of the program or a structural issue.
   - **Inability to Authenticate Eligibility** – Improper payments issued because the agency is unable to authenticate eligibility criteria.
   - **Failure to Verify Data** – Improper payments issued because the agency or another party administering Federal dollars fails to verify appropriate data to determine whether or not a recipient should be receiving a payment, even though such data exists in government or third-party databases.
     - **Death Data** – Failure to verify that an individual is deceased, and the agency pays that individual.
     - **Financial Data** – Failure to verify that an individual's or household's financial resources (e.g., current income or assets) do not meet the threshold to qualify him or her for a benefit, and the agency makes a benefit payment to that individual or household.
     - **Excluded Party Data** – Failure to verify that an individual or entity has been excluded from receiving Federal payments, and the agency pays that individual or entity.
     - **Prisoner Data** – Failure to verify that an individual is incarcerated and ineligible for receiving a payment, and the agency pays that individual.
     - **Other Eligibility Data** – Any other failure to verify data not already listed above, causing the agency to make an improper payment as a result.
   - **Administrative or Process Errors Made** – Improper payments caused by incorrect data entry, classifying, or processing of applications or payments made by Federal, State, local agencies, or other organizations that administer Federal dollars.
   - **Medical Necessity Errors** – Improper payments issued to a medical provider who delivers a service or item that does not meet coverage requirements for medical necessity.
   - **Insufficient Documentation to Determine** – Improper payments issued when there is a lack of supporting documentation necessary to verify accuracy of a payment identified in the improper payment testing sample.
   - **Other Reason** – Improper payments caused by payment errors that do not fit in the above categories.

Major Causes and Corrective Actions for OASDI Improper Payments

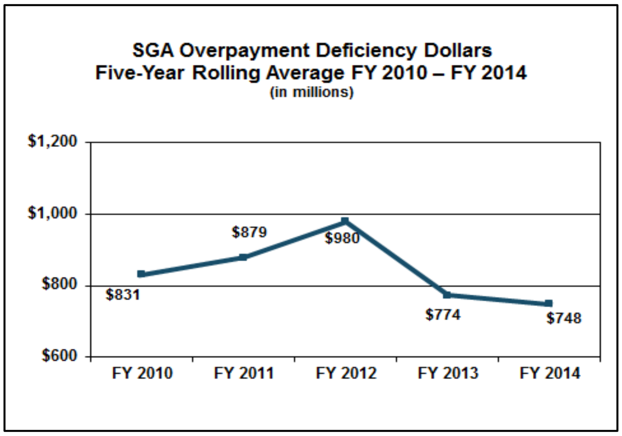
Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are SGA and errors in computations. The major cause of underpayments is errors in computations.

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 graph shows the five-year rolling average of SGA overpayment deficiency dollars.

Historical Figures:



Corrective Actions:

Table 2a shows our actions to ensure timely processing of beneficiaries' earnings. Payment errors based on SGA correspond to the "Failure to Verify: Other Eligibility Data" category in Table 2.

Table 2a: SGA – Corrective Actions

Description	Target Completion	Status
Audit Recommendation		
To minimize improper payments, we agreed with an audit recommendation to make it a priority to identify cases where we failed to terminate the disability payments following medical cessation determinations.	Ongoing	In April 2014, we initiated a new computerized selection process to identify cases with medical cessations where benefits are continuing. We are working on corrective actions on the cases identified and enhancing our automated solutions to prevent such errors in the future.
Predictive Model		
We developed a statistical predictive model that helps us prioritize our resources by identifying the earnings of beneficiaries who are at greatest risk of receiving an overpayment due to work activity. In FY 2014, we evaluated all FY 2013 work CDRs, including those selected by the predictive model.	Completed July 2014	The following results compare all work CDRs selected in FY 2013 before and after national implementation of the predictive model: • Average number of months a beneficiary was overpaid decreased from 18 months to 14 months. • Average overpayment amount per overpaid working DI beneficiary decreased from approximately $20,000 to $16,000. • Total overpayments due to work decreased from approximately $1.5 billion to $1 billion.

Description	Target Completion	Status
We are conducting a pilot to delay the Automated Earnings Reappraisal Operation (AERO) for cases with a pending work CDR. We are testing a new process to delay the benefit increase, which we may later determine to be an overpayment, resulting from an AERO, for a sample of disability beneficiaries with a pending work CDR. Our goal is to prioritize and review cases with unreported earnings before we compute and issue any benefit increase.	FY 2016	We used our predictive model to identify approximately 12,000 cases eligible for a benefit increase and delayed the AERO increase for 6 months. The first test of the pilot in October 2012 was a success with a smaller sample. We continued the pilot by drawing a larger sample in October 2013. The June 2014 evaluation found promising results from the processing that ended April 2014. We continued to pilot in October 2014 where we selected a new sample and delayed the AERO increase for approximately 12,000 cases pending a work CDR. The pilot ended in April 2015, and we completed an initial evaluation of the pilot in August 2015. We found that we completed a work CDR on nearly half of the cases; approximately 32 percent of the cases did not require a work CDR, and 20 percent were still pending. We estimate that as a result of the AERO delay, we prevented an increase in monthly benefits for approximately 4,300 beneficiaries where an overpayment would have occurred. We will continue evaluating the effectiveness of the pilot in FY 2016.
We are conducting a pilot to test our ability to release quarterly earnings enforcement work CDRs in conjunction with our existing Continuing Disability Review Enforcement Operation (CDREO) process. We currently target the earnings of ticket to work participants. If the pilot expands further, we may obtain authority to include beneficiaries who are not involved with ticket to work.	Ongoing	We began Phase 1 of the Quarterly Earnings Pilot in March 2014. Phase 2 of the pilot began with the March 2015 enforcement run, when we assigned approximately 1,800 cases for action to our processing centers. This phase of the pilot includes refined requirements that will better select CDRs that are more likely to generate a suspension or cessation.
We are piloting a new national screening process that removes unnecessary work CDREO alerts prior to assigning them for processing. The processing centers currently screen cases based on certain criteria using local programs. We are using a phased-in approach to remove unnecessary work CDREO alerts prior to assigning them for processing. The long-term goal is to eliminate the local screening programs run after the CDREO process.	Ongoing	As a result of the first phase of the pilot in May 2015, we removed approximately 100,109 unnecessary CDR alerts from the current CDREO process. In Phase 2, planned for June 2016, we will remove further unnecessary CDR alerts.

Description	Target Completion	Status
Legislative Proposal		
The *Bipartisan Budget Act of 2015* gives authority to the Commissioner to extend, under Section 234(d)(2), disability related demonstration projects that have expired and initiate new ones. This authority expires December 31, 2022 and the Commissioner has until December 31, 2022 to complete these projects. Other related provisions of the Budget Act require the Commissioner to ensure that the projects are voluntary and to conduct a 5-year demonstration project to test a benefit offset of $1 for each $2 of earnings.	Effective November 2, 2015	Enacted in the *Bipartisan Budget Act of 2015.* The annual report is due at the end of FY 2016.
The President's FY 2016 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 by permitting us to leverage the wage data in a timelier manner.	Pending	No Congressional action to date.

Computations

Description:

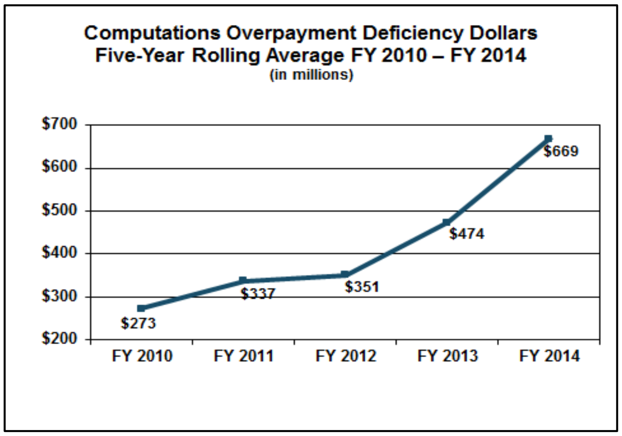
Errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

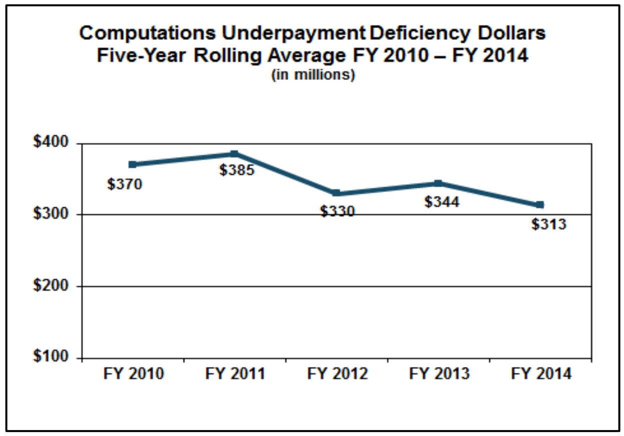
We base a person's benefit amount on a number of factors, including age, earnings history, and the type of benefit awarded.

Inaccurate information or administrative mistakes can cause errors in calculating benefits. For FYs 2010-2014, approximately 68 percent of the computation errors resulted in overpayments, with the leading causes being WEP, failure to apply the Retirement Insurance Benefit Limitation (RIB-LIM) when applicable, and adjustment of the reduction factor computation. 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 32 percent of computation errors from FYs 2010-2014 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. We are currently conducting the Title II Quarterly Earnings Pilot in the Northeastern Processing Center. Under this pilot, we are testing whether it makes sense to initiate work CDRs on a quarterly basis rather than waiting and doing so annually.

We are also enhancing the predictive model we use to determine the priority order of work CDRs. Additionally, we evaluated the current business process for work CDRs in our processing centers, FOs, and teleservice centers, and we developed simulation process models. This effort documented the current or "as is" business process and will allow us to identify and determine solutions to policy gaps and bottlenecks in the process. The outcome of these efforts will be to develop a desired or "to be" business process that is more efficient. We anticipate identifying an improved process in FY 2016.

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 2b shows our actions to increase our post-entitlement accuracy. Post-entitlement accuracy errors correspond to the "Administrative or Process Error Made by: Federal Agency" category in Table 2.

Table 2b: 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.	We expect to begin planning and analysis for the system correction in FY 2016.
We implemented an inline quality review process in our processing centers aimed at improving the accuracy of manual post-entitlement transactions.	Completed July 2015	Through the end of FY 2014, we implemented an inline quality review process in four of our processing centers. We reviewed over 6,300 inline transactions, preventing over $1.6 million in improper payments. In July 2015, we completed implementation of the inline review process in the three remaining processing centers. Through September 2015, we have reviewed over 11,100 cases preventing over $2.5 million in improper payments. We plan to continue the inline quality review process.

Description	Target Completion	Status

Pursue potential entitlement workloads.	
	Completed September 2014
	
	Completed March 2014
	
	FY 2016
		In FYs 2014 and 2015, we evaluated the following initiatives:
		• Outstanding Potential Entitlement Referral Account Cases: We identified SSI recipients who are potentially entitled to OASDI benefits.
		  o Through September 2014, we reviewed 184 cases and entitled 57 individuals to OASDI benefits.
		• We identified individuals potentially entitled to higher benefits on the record of a former spouse, who is now deceased.
		  o In March 2014, we sent letters to over 2,800 individuals, informing them of their higher potential benefits. Through December 2014, over 1,000 individuals have filed for benefits and are currently receiving an average monthly increase of $607.
		• Veteran's Pension Referral: We identified SSI recipients who had a scheduled redetermination in FY 2014, and were possibly eligible for a veteran's pension.
		  o Through FY 2014, we reviewed over 5,400 cases out of 5,748 identified. Of those, we referred over 4,200 to the VA.
		  o In FY 2015, we notified approximately 30,000 SSI recipients that they may be entitled to a veteran's pension.
		  o In FY 2016, we plan to evaluate the population to determine why those SSI recipients who were eligible for a veteran's pension were not currently receiving one.

Description	Target Completion	Status
Pursue potential entitlement workloads (continued).	FY 2016 FY 2016	• In December 2014, we issued notices to over 25,000 individuals entitled as spouses who may be eligible for higher benefits on their own records. Through August 2015, approximately 11,730 of those that received notices filed for or are receiving benefits on their own account. The average monthly increase to those beneficiaries is approximately $333. o In FY 2016, we plan to implement changes that will notify these individuals earlier. • We have developed a process for addressing all items on the original Potential Entitlement workload list and have defined deliverables for each stage of that process. We effectuated FY 2015 workloads and, where possible, identified possible root causes of the missed entitlements to prevent recurrence. o We developed a detailed work plan for FY 2016 that will continue to work through the situations identified as potential or missing entitlements.
The President's FY 2016 Budget includes a proposal to establish workers' compensation and public disability benefits information reporting. Since we currently rely on beneficiaries to report when they receive benefits, this proposal would improve program integrity by requiring States, local governments, and private insurers that administer workers' compensation and public disability benefits to provide this information to us. The proposal would provide for the development and implementation of a system to collect such information from States, local governments, and insurers.	Pending	No Congressional action to date.

Major Causes and Corrective Actions for SSI Improper Payments

Our greatest payment accuracy challenge is the SSI program. The program's complexities stem from the way the law requires us to calculate SSI payments. We generally make SSI payments on the first day of the month for eligibility in that month. Many factors influence SSI payment accuracy. Even if the payment is correct when paid, any changes that may occur during the month can affect the payment due, which can result in an overpayment or underpayment. Thus, the program requirements themselves sometimes cause improper payments. We remain committed to simplifying the SSI program, and we are exploring ways to do this in a fair and equitable manner.

SSI is a means-tested program for individuals with limited income and resources that 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;
- In-kind Support and Maintenance (ISM); and
- Other real property (i.e., ownership of non-home real property).

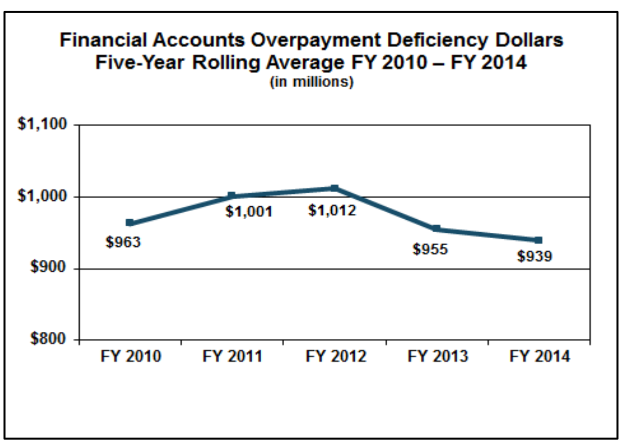
Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Information for the corrective action for living arrangements is discussed later in this section.

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, recipient, or deemor has financial accounts with values 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 automated process that verifies alleged bank account balances with financial institutions to identify potential excess resources in financial accounts held by SSI applicants, recipients, and deemors. In addition to verifying alleged bank accounts, AFI detects undisclosed accounts using unique search criteria. We use AFI to verify financial accounts during the SSI application process and when we conduct periodic redeterminations of continued eligibility.

We reduce SSI improper payments resulting from excess resources held in financial institutions by using the AFI electronic process on 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 bank accounts.

Table 2c shows our actions to reduce errors related to financial accounts. Payment errors related to financial accounts correspond to the "Failure to Verify: Financial Data" and "Inability to Authenticate Eligibility" categories in Table 2.

Table 2c: Financial Accounts – Corrective Actions

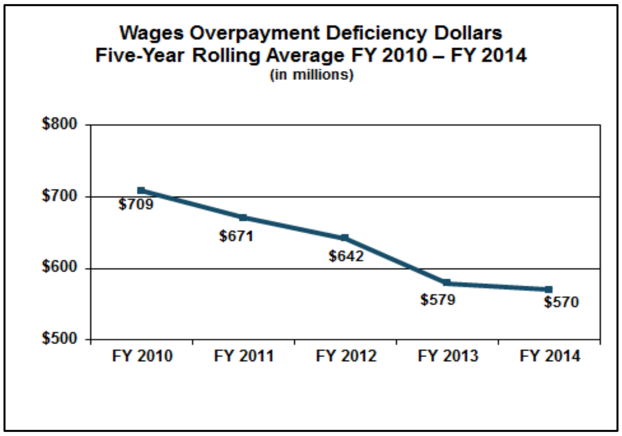
Description	Target Completion	Status
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance we implemented in October 2013.	FY 2016	We began planning and analysis to evaluate the effect of expanded AFI use in June 2014. We expect to complete the evaluation in FY 2016.
Begin the next five-year AFI contract.	Completed January 2015	We competitively awarded a five-year contract to a vendor to support AFI. The award was effective June 2015.
Conduct study to evaluate benefits of automatically initiating AFI requests during the period of time in-between redeterminations of SSI eligibility. This proposal would enable us to prevent improper payments earlier and limit the amount of any overpayments.	December 2015	Our Improper Payment Oversight Board (IPOB) approved the proposal, and the evaluation began in FY 2015.
Implement two AFI systems enhancements that will improve our current process for initiating AFI.	January 2016	We have begun systems planning and analysis. The enhancements are scheduled for implementation in early FY 2016.

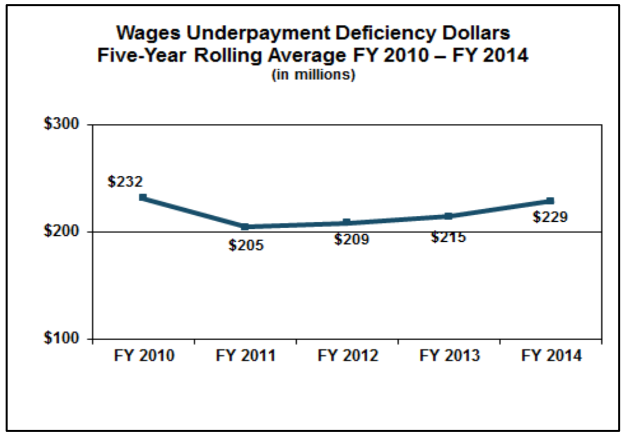
Wages

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 deemor 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 and redetermination processes, we will request that applicants and recipients provide their consent for us to obtain their personal information, such as wage information, from other sources. We will modify our policy and processes to allow us to use the wage information we obtain from these sources more efficiently.

We developed several 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 FOs 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. Since October 2013, recipients, representative payees, and deemors could use those automated reporting tools to report the preceding month's wages at any time in the current month.

- 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.

- SSIMWR Smartphone Application

  Beginning in December 2012, 50 FOs across all 10 regions began a pilot project for mobile wage reporting. This initiative allowed certain 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.

- Automated Reminder

  In September 2013, we implemented an automated SSI wage reporting reminder using GovDelivery. Individuals can voluntarily sign up to receive a monthly email or text message reminder to report wages for the prior month.

We continue to successfully increase the number of wage reports SSI recipients submit using our automated SSI wage reporting systems. In September 2015, we processed 78,970 successful automated wage reports in time to prevent improper payments.

Table 2d shows our actions to reduce errors related to wages. Payment errors related to wages correspond to the "Inability to Authenticate Eligibility" category in Table 2.

Table 2d: Wages – Corrective Actions

Description	Target Completion	Status
Explore using wage information we receive from other sources for timely and accurate wage reports. Request that SSI applicants and recipients provide their consent for us to obtain information from other sources. Modify our policy and supporting operating process to allow the use of wage information we obtain from those sources. Automate the process of obtaining wage information and adding wage information to our systems, thereby conserving administrative resources and reducing improper payments. Develop the capability to record in the SSI claims system an individual's permission for third parties to release personal information to us, such as wages.	FY 2016	We have allocated resources to integrate into our systems an SSI recipient's authorization for us to contact commercial entities, including payroll providers, for evidence related to SSI eligibility and payment amount. We developed the requirements to make these changes to our systems. These changes are currently in development with implementation planned for FY 2016.
Perform a "proof of concept" (POC) to test whether automated posting of income information available through commercial wage databases offered by private payroll providers would allow us to reduce wage-related improper payments and save administrative resources.	Completed July 2015	We gathered data through the POC. The findings revealed that there is value in monthly matching with a payroll provider as wage information is available for the majority of the sample. We conducted a second POC in April 2015 to assess the same population to determine the value of monthly matching with a payroll provider after a period of time. The findings of the second POC support the first POC in that there is value in monthly matching with a payroll provider as wage information is available for the majority of the sample.

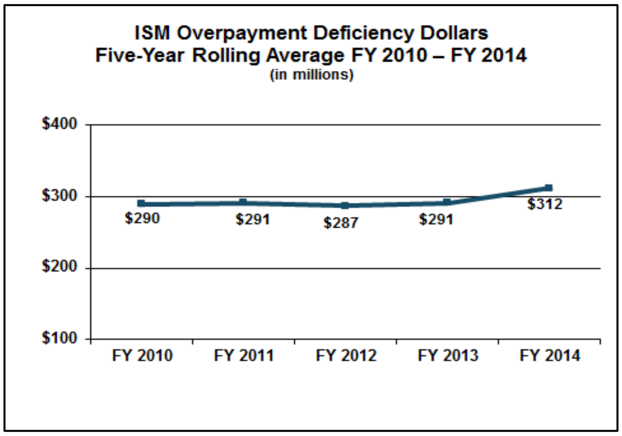
Description	Target Completion	Status
The *Bipartisan Budget Act of 2015* authorizes the Commissioner to: 1) enter into information exchanges with payroll data providers to obtain wage data to administer and prevent improper payments under the SSI and DI programs; and 2) require applicants and recipients to provide authorization to obtain payroll data. Individuals who provide such authorization will be afforded protection from certain sanctions and penalties.	Effective November 2, 2016	Enacted in the *Bipartisan Budget Act of 2015*.
The *Bipartisan Budget Act of 2015* also requires us to promulgate new regulations regarding modified wage reporting requirements for recipients and beneficiaries who provide authorization.	Effective no later than November 2, 2016	Enacted in the *Bipartisan Budget Act of 2015*.
Pursue an SSI RoboCalling pilot to encourage SSI recipients and deemors to use our automated wage reporting tools.	TBD	We began our SSI RoboCalling pilot on July 1, 2015. The pilot will run for 60 days, with a subsequent evaluation period.

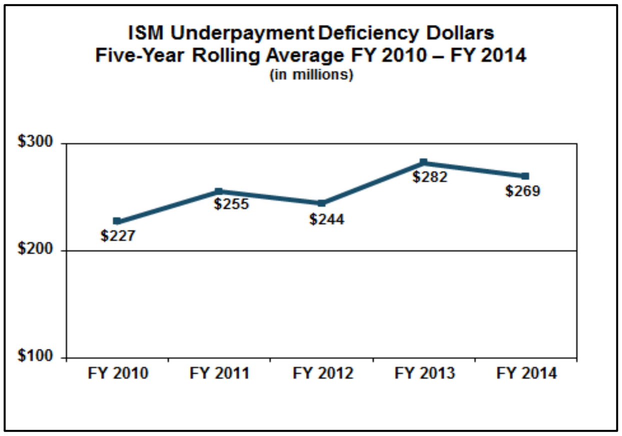
In-Kind Support and Maintenance

Description:

ISM is unearned income a recipient receives in the form of food, shelter, or both. Overpayments can occur when the recipient fails to report ISM. Underpayments can occur when the recipient's ISM amount is less than the amount used to calculate his or her monthly payment. Studies show that many of the errors attributed to ISM are due to the complexity of the statute and our regulations and policies concerning ISM. 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 2e shows our actions to reduce errors stemming from ISM. Payment errors stemming from ISM correspond to the "Failure to Verify: Other Eligibility Data" category in Table 2.

Table 2e: ISM – Corrective Actions

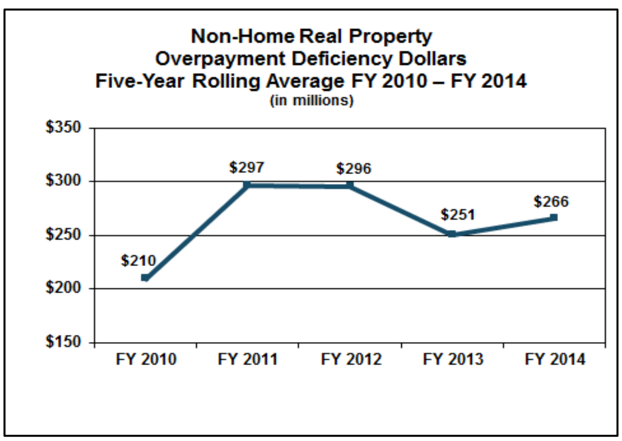
Description	Target Completion	Status
Statutory, Regulatory, Policy and Procedure Review		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	Because of our reviews, we issue periodic reminders and policy clarifications, as needed. We will continue to work with Congress and other stakeholders to identify possible statutory/regulatory changes.

Other Real Property

Description:

SSI ineligibility may result if a recipient owns real property (generally land and the building, such as a house, on land) other than his or her principal place of residence (referred to as "non-home real property"), and the current equity value exceeds the resource limit. Undisclosed non-home real property is a leading cause of improper overpayments in the SSI program. For the five-year period from FY 2010 through FY 2014, our FY 2014 stewardship reviews identified real property as the fourth leading cause of SSI overpayments, with average projected improper payments of $266 million in SSI overpayments. We currently rely on the applicant or recipient to report ownership of non-home real property. Our corrective actions, discussed on the following page, will provide our technicians with an electronic process to identify undisclosed property owned by the applicant, recipient, or deemor.

Historical Figures:



Corrective Actions:

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

Table 2f shows our actions to reduce errors related to non-home real property. Payment errors related to non-home real property correspond to the "Failure to Verify: Financial Data" and "Inability to Authenticate Eligibility" categories in Table 2.

Table 2f: Other Real Property – Corrective Actions

Description	Target Completion	Status
Test in 100 FOs to determine the cost benefit of using *LexisNexis/Accurint* during initial claims interviews to identify real property owned by applicants or deemors that result in ineligibility for SSI.	Completed September 2013	FOs screened over 23,000 initial SSI claims against real property data in *LexisNexis/Accurint*. We analyzed the data to determine the cost benefit of using *LexisNexis/Accurint*, including improper payments prevented and time our FOs spent to query and review the real property data. We released our findings in December 2013. The findings indicate using this tool would be cost effective.
Test during high-error redetermination interviews (in the same 100 FOs) the use of *LexisNexis/Accurint* data to identify improper payments due to non-home real property ownership.	Completed September 2014	We began this study in December 2013, and it concluded in June 2014. We analyzed the data from over 19,000 redeterminations and delivered our findings and recommendations, along with the initial claims findings, in September 2014. The study found that using this process would be a cost effective method to reduce and prevent SSI overpayments.
Based on test findings, integrate third-party non-home real property data with SSI systems for use during initial claims and high error redetermination interviews.	FY 2016 through FY 2017	We are currently in planning and analysis to design the systems integration that will support this process. We are pursuing a request for funding to begin development in FY 2016. We have expanded our planning for real property management information to include management information on AFI requests and results.

Major Causes of Improper Administrative Payments

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

- Incorrect amounts paid (including duplicate payments);
- Health benefit debts due to insufficient employee pay (e.g., in a non-pay status);
- Retroactive timesheet corrections; and
- Retroactive personnel actions.

Corrective actions include:

- The majority of the incorrect amounts paid in FY 2014 (for vendor and travel payments) related back to one instance where we transmitted a single day's payment schedules twice in error to the Department of the Treasury (Treasury), after a day the office had been closed due to inclement weather. These schedules, which we certify and send to Treasury each business day for payment on our behalf, include all administrative payment records created in the accounting system the previous day. To prevent a future occurrence, we established an additional internal control to our procedures where, in unusual circumstances such as an office closure, management must approve any actions affecting the Treasury payment schedules.

- A major cause of payroll and benefits improper payments is health benefit debts that are created automatically when an employee, who has health benefits coverage, is in a nonpay status for the entire pay period or if there are insufficient funds to make the current pay period deduction. We pay both the employee and agency share; therefore, the employee is indebted to the agency. Salary overpayments are another major cause of payroll and benefits improper payments. They occur when we process a retroactive personnel and/or timesheet correction. We recalculate the employee's record for the earliest pay period affected forward for actions that occurred within the last 26 pay periods. If the results are negative, this indicates the employee was overpaid and the system creates a debt automatically. Retroactive corrections is another major cause, and it occurs when a retroactive personnel action that is past 26 pay periods cannot be processed through the electronic system; therefore, the debt must be entered manually. We are planning to perform a risk assessment in FY 2016 to determine how to address the major causes and create a corrective action plan. We plan to implement the corrective action plan in FY 2017.

Internal Control Over Payments

We have a strong internal control environment that has always included controls over our benefit payment and debt management processes. As a result, we are directly leveraging our existing internal control environment and assurance processes to provide reasonable assurance that our internal controls over improper payments are in place and operating effectively.

As part of our internal control environment, we have a well-established, agency-wide management control program as required by FMFIA. 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.

We established the IPOB to ensure that we are focusing on improper payment prevention, formulating clear and innovative strategies, and driving timely results agency-wide. The IPOB's role is to serve as the corporate team to: oversee all improper payment-related activities for the agency, collaborate and shape strategy, resolve cross-component differences, address challenges encountered by staff, and drive timely results.

For additional information about our internal control environment, please refer to the *Systems and Controls* section of this FY 2015 *Agency Financial Report* and to the section of this improper payments report titled Risk Assessment and Statistical Sampling.

Table 3: Internal Control Standards
FY 2015

Internal Control Standards	OASDI	SSI
Control Environment	3	3
Risk Assessment	3	3
Control Activities	3	3
Information and communication	3	3
Monitoring	3	3

Legend:

1. Controls are not in place to prevent improper payments.
2. Minimal controls are in place to prevent improper payments.
3. Controls are in place to prevent improper payments but there is room for improvement.
4. Sufficient controls are in place to prevent improper payments.

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 FY 2015 *Agency Financial Report*. In addition, we include the auditor's report in the *Auditor's Reports* section of this FY 2015 *Agency Financial Report*.

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

Accountability, Information Systems, and Other Infrastructure

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 and FY 2015, our budgets 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. In FY 2015, we completed over 799,000 full medical CDRs and approximately 2.267 million SSI redeterminations. In addition, we completed approximately 248,000 work CDRs in FY 2015.

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 2016, the funding adjustment authorized is $1.166 billion above the discretionary cap. If appropriated, the program integrity funding will enable us to complete 908,000 periodic medical CDRs and 2.622 million SSI redeterminations, an increase of nearly 118,000 CDRs and 367,000 SSI redeterminations from our FY 2015 Operating Plan (www.socialsecurity.gov/legislation/Agency Operating Plan FY2015.pdf) targets, resulting in significant savings of taxpayer dollars. Current estimates indicate that CDRs conducted in FY 2016 will yield a return on investment of about $9 on average in net Federal program savings over 10 years per $1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare, and Medicaid program effects. Similarly, our estimates indicate that non-medical redeterminations conducted in 2016 will yield a return on investment of about $4 on average of net Federal program savings over 10 years per $1 budgeted for dedicated program integrity funding, including SSI and Medicaid program effects.

The President's FY 2016 Budget includes a special legislative proposal that will provide a dependable source of mandatory program integrity funding starting in FY 2017. The funding will enable us to eliminate the backlog of around 900,000 CDRs by the end of FY 2019 and prevent a new backlog from developing, which will help ensure that only those eligible for OASDI and SSI disability benefits continue to receive them. Assessments of the return on investment from CDRs completed in FY 2012 and earlier, establish that we achieve significant program savings with this workload. Though our budget situation is improving, we need adequate, sustained funding to continue to increase our program integrity efforts. The *Bipartisan Budget Act of 2015* authorized a net increase in new cap adjustment levels through 2021, including authorizing the cap adjustment level needed to accomplish the goals of the President's proposal.

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 FMFIA, which requires that we establish and maintain effective internal controls. CIRP automatically selects potentially suspicious transactions for management investigation based on predefined criteria. The selection criteria focus on suspicious 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.

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, effective February 2015, we developed a specific alleged fraud indicator when individuals report that they did not receive their direct deposit payment. 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 disability determination services (DDS). 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 2013 cases will result in lifetime savings (after all appeals) of:

- $424 million in OASDI benefit payments;
- $57 million in SSI Federal payments;
- $183 million in Medicare benefits; and
- $4 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 automate more of our business processes. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. The President's FY 2016 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.

Establish Workers' Compensation Information Reporting

Under this proposal, we would require States, local governments, private insurers, and other entities that administer workers' compensation and public disability benefits 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, workers' compensation and public disability benefits. 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 workers' compensation and public disability benefit payments. Under the proposal, we would also provide pertinent collected information for child support enforcement purposes to the Secretary of HHS.

Move from Annual to Quarterly 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.

Government-Wide Use of Customs and Border Patrol Entry and Exit Data to Prevent Improper Payments

U.S. Customs and Border Protection (CBP) maintains data on when individuals enter and exit the United States. This entry and exit information may be useful in preventing improper payments in Federal programs that require U.S. residency to receive benefits, including the SSI program. This proposal would provide for the use of CBP entry/exit data to prevent improper payments.

Recapture of Improper Payments Reporting

Information on Payment Recapture Audit Program

In this section, we discuss how we meet the payment recapture audit requirements of IPERA for our OASDI and SSI programs and for our administrative payments. Table 4 shows our results from our payment accuracy reviews for our OASDI and SSI programs and for our administrative payments.

Table 4: Improper Payment Recaptures with and without Audit Programs
(dollars in millions)

Overpayments Recaptured through Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amount Identified (FY 2015)	$11,309.05	$11,192.28	$3.17	$2.67	$22,507.17
Amount Recaptured (FY 2015)	$2,128.00	$1,235.93	$1.89	$1.95	$3,367.77
FY 2015 Recapture Rate	19%	11%	60%	73%	15%
FY 2016 Recapture Rate Target	19%	11%	100%	100%	15%
FY 2017 Recapture Rate Target	19%	11%	100%	100%	15%

Overpayments Recaptured outside of Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amounts Identified (FY 2015)	$0.00	$0.00	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	$7.17
Amounts Recaptured (FY 2015)	$0.00	$0.00	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	$6.87

Notes:

1. This table comprises all identified and recovered benefit program overpayments from our benefit payment recapture audit program for the specified fiscal year. Overpayments identified or recovered in a specified year include debt established in prior years. We do not recapture benefit overpayments outside of our payment recapture audits for benefit payments.
2. The Amounts Identified for benefit payments are debt available for recovery in FY 2015. These amounts include debts identified in previous fiscal years that were not recovered or were determined to be uncollectible.
3. The Amounts Recaptured for benefit payments are FY 2015 recoveries from debt we had available for recovery in FY 2015, which include debts identified in prior years.
4. We do not consider every overpayment improper according to the definition contained in IPIA.
5. The recapture rate target for benefit payments is based on FY 2015 and prior years' experience and the anticipated growth of our benefit payments in FYs 2016-2017.
6. This table comprises all identified and recovered administrative overpayments from our internal payment recapture audit program for administrative payments. These administrative payments are stated under the table heading titled "Other."
7. Totals for Amount Identified (FY 2015) and Amount Recaptured (FY 2015) for administrative payments are from our internal payment recapture audit in FY 2014. Overpayments identified or recaptured in FY 2014 include debt established in prior years.
8. For the overpayments recaptured outside of payment recapture audits, the totals are derived from multiple sources and mainly include identified and recovered administrative 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 Recapture of Improper Payments Reporting section of this improper payments report. We do not have separated totals for payroll and benefits or vendor and travel.
9. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2015 but could have occurred in a prior year.
10. There may be slight variances in the dollar amounts and percentages due to rounding of the source data.
11. We return all amounts recaptured to the original appropriation from which the payment was made.

Benefit Payments

Payment Recapture Audit Program

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, Accountability, Information Systems, and Other Infrastructure, 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. Table 4 shows our OASDI and SSI overpayment experience, inclusive of improper payments.

In addition, not all overpayments are collectable. 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:

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
- The debt has been discharged in bankruptcy; or
- The debtor has requested a waiver or review of the debt, and the agency determines that such request is credible.

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). We base our payment recapture recovery targets for benefit payments for FYs 2016-2017 on our FY 2015 experience, and they are shown in Table 4. 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.

Administrative Payments

Internal Payment Recapture Audit Program

We segment administrative payments into several categories, as shown in Table 4a to analyze and determine the vulnerability of these outlays to improper payments.

Table 4a: FY 2014 Administrative Expenses
(dollars in millions)

Payroll and Benefits	$6,337
State DDS	$1,872
***American Recovery and Reinvestment Act* (ARRA)[1]**	$141
Other Administrative Expenses[2]	$3,210
Total Administrative Expenses	$11,560

Notes:

1. ARRA expenses consist of National Support Center building costs only.
2. Other Administrative Expenses includes vendor, travel, transportation, rents, communications and utilities, printing and reproduction, other services, supplies and materials, equipment, land and structure, grants, subsidies and contributions, information technology systems, OASI and DI Trust Fund operations, other dedicated accounts, other reimbursable, interest and dividends, and insurance claims and indemnities.

We conduct annual payment accuracy reviews as part of our payment recapture audit program. 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.

In the paragraphs below, we indicate what categories from Table 4a or payment types within a category we did not review because it was not cost effective. As required by OMB Circular No. A-136, we notified OMB in September 2015 that certain categories and payment types within a category are not cost effective to review, and therefore, are excluded from our payment recapture audit program.

For FY 2014, the internal recovery audit program included a review of the following payment categories from Table 4a Payroll and Benefits and Other Administrative Expenses.

Payroll and benefits account for a majority of our total administrative expenses. For FY 2014, we found approximately $2.457 million in improper payroll overpayments out of $6,337 million payroll payments, which yielded a 0.039 percent improper overpayment rate. We return all amounts recovered to the original appropriation from which the overpayment was made.

From the Other Administrative Expenses category, we review vendor and employee travel payments using an existing internal recovery audit program 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.

In FY 2014, we reviewed $1.382 billion in vendor and travel payments out of $1.742 billion subject to review. We elected to exclude the following classes of vendor 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 $2.665 million, approximately 0.15 percent of total payments subject to review. As of the end of FY 2014, $719,603 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.

Within the Other Administrative Expenses category, we exclude, from our payment recapture audit program, payments made via electronic payment systems because they are not cost-effective to review for the following reasons:

- The excluded payments are not very susceptible to improper payments because they utilize interfaced systems that require little manual intervention and include strong system controls to prevent improper payments.
- In November 2011, we awarded a contract to a vendor to perform a payment recapture audit of all our administrative payments, including the Other Administrative Payments category. Of $23,282 million payments reviewed (spanning 3 fiscal years), the auditors identified, and we confirmed and recovered,

improper payments totaling $29,191, approximately 0.00013 percent of the payments reviewed. The few improper payments identified were either vendor or DDS payments.

For State DDS payments, our 10 regional offices review amounts drawn against pre-approved DDS spending plans. For payment accuracy, our Office of the Inspector General (OIG) reviews the DDS payments on a rotational basis. We use our OIG's findings, if any, to enhance our payment controls.

For ARRA payments, we rely on our OIG's audits of the ARRA funds as part of our payment recapture audit program for administrative payments. ARRA payments made up only 1.2 percent of our total administrative expenses in FY 2014.

Not all administrative overpayments are collectable. 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:

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
- The debt has been discharged in bankruptcy; or
- The debtor has requested a waiver or review of the debt, and the agency determines that such request is credible.

Administrative Payments Recovery Targets

Similar to the OASDI and SSI programs, IPERA guidance requires that agencies establish annual targets for administrative payment recapture audit programs. Table 4 shows our targets for our administrative payment recapture audit program. 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, the Treasury Offset Program (TOP), and Administrative Wage Garnishment (AWG).

Disposition of Payment Recapture Funds

Table 5: Disposition of Funds Recaptured Through Payment Recapture Audits
(dollars in millions)

Program or Activity	Amount Recovered	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Other[1]	Original Purpose	Office of the Inspector General	Returned to Treasury
Benefit	$3,363.93	Benefit	Not Applicable	Not Applicable	$3,363.93	Not Applicable	Not Applicable	Not Applicable
Other	$3.84	Administrative	Not Applicable	Not Applicable	$3.84	Not Applicable	Not Applicable	Not Applicable

Note:

1. We return all amounts recaptured to the original appropriation from which the payment was made for both our benefit and administrative payments.

Aging of Outstanding Overpayments

OMB Circular No. A-136, *Financial Reporting Requirements*, requires agencies to have an aging schedule of the amount of overpayments identified through their payment recapture audit program that are outstanding (i.e., overpayments that have been identified but not recaptured). Table 6 shows our aging schedule for our OASDI and SSI programs and our administrative payments.

Table 6: Aging of Outstanding Overpayments Identified in the Payment Recapture Audits
(dollars in millions)

Program or Activity	Type of Payment	FY 2015 Amount Outstanding (0 to 6 Months)	FY 2015 Amount Outstanding (6 Months to 1 Year)	FY 2015 Amount Outstanding (Over 1 Year)	FY 2015 Amount Determined to not be Collectable
OASDI	**Benefit**	$792.82	$395.51	$1,760.81	$311.44
SSI	**Benefit**	$644.39	$433.73	$3,122.90	$299.19
Payroll and Benefits	**Administrative**	$1.14	$1.03	$1.67	$0.20
Vendor and Travel	**Administrative**	$0.71	$0.00	$0.01	$0.00
TOTAL		$1,439.06	$830.27	$4,885.39	$610.83

Notes:

1. The aging of outstanding overpayments begins when the overpayment is delinquent, which is generally when no voluntary payment has been made 30 days after the latest of the following dates:
   - The debt was established on our system for OASDI;
   - The initial overpayment notice for a debt established on the SSI system;
   - The last voluntary payment;
   - An installment arrangement;
   - A decision on an individual's request to reconsider the existence of the overpayment; or
   - A waiver denial.
2. Totals for administrative payments are from our internal payment recapture audit in FY 2014.

Do Not Pay Initiative

Section 5(a)(2) of 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 Treasury DNP system data sources available during FY 2015 that are applicable to our OASDI and SSI benefit payments include the General Services Administration's Excluded Parties List System (EPLS) and our public version of the Death Master File (DMF). Below we describe our 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 to contractors who are debarred or suspended. We check the EPLS listing prior to award to make this determination.

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 DDSs 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 to the National Technical Information Service who in turn provides the file to 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, Social Security number (SSN), date of birth, and date of death. We update death information on the Numident daily based on information from acceptable reporters (e.g., States, funeral homes, and family members). We distribute 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 planned to share our prisoner information with Treasury in two phases. In Phase 1, we shared our current prisoner information, and in Phase 2, we plan to provide our current and additional data elements. In FY 2015, we sent DNP prisoner files as baseline data for testing purposes. We also began integration testing with Treasury for sending them our daily recurring prisoner data for DNP. The Memorandum of Understanding with Treasury currently allows us to send approximately 1.1 million prisoner records to Treasury, and for Treasury to send that data to IRS for the upcoming tax season.

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.

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 October 2014 through September 2015.

Table 7: Results of the Do Not Pay Initiative in Preventing Improper Payments
OASDI Payment Intercepts
(dollars in millions)

Type of Payment	Number of Payments Intercepted	Amount of Payments Intercepted	Number of Payments Disbursed	Amount of Payments Disbursed	Percent of Intercepted Payments	Percent of Intercepted Dollars
Death	504,569	$632.94			0.071%	0.080%
Incarceration	7,999	$7.87			0.001%	0.001%
Total	512,568	$640.81	709,582,471	$791,418.87	0.072%	0.081%

Notes:

1. This table represents OASDI payment intercepts for benefits payable September 2014 through August 2015.

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 August 2015 benefits are shown in the September 2015 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 Registration 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.

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

The following key initiatives enhance our program integrity efforts. 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

Our current systems do not always process death data effectively, resulting in discrepancies between our Numident database and programmatic systems. The Numident, created in 1972, is our electronic database of our records of SSNs assigned since 1936. We have three projects to address these problems:

- Identify beneficiaries age 115 and over who have been in continuous suspense for 7 years or more and terminate their benefits;
- 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.

The following key initiatives enhance our program integrity efforts. By improving our death data processing, we will ensure that our records are in agreement, reflect death information accurately, and thereby prevent erroneous payments.

Table 8 shows our actions to reduce errors related to death reporting.

Table 8: Death Reports

Description	Target Completion	Status
Terminate records of beneficiaries over 115 years old who are in long-term suspense status.	Ongoing	In FY 2013, we established a new code in our OASDI programmatic system to terminate records for aged individuals in long-term suspense where we did not receive notification of death. In FYs 2013-2015, we terminated approximately 16,129 records using the new code. In September 2015, we automated the selection and processing and terminated 981 selected cases in the first run. We will continue to maintain this effort as a monthly cyclical initiative.
Medicare Non-Utilization Project	Ongoing	FO employees contacted beneficiaries age 90 and above who have not used their Medicare benefits for 3 or more years. Through early September 2015, we have completed 3,845 of 4,869 (79 percent) of the cases, while 948 were marked “unable to locate” (UTL). For those UTL cases, we will attempt to contact the beneficiary next year.
Conduct Numident death match reviews.	Ongoing	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. In FY 2015, our FOs have resolved over 20,900 alerts.
Death Alert, Control, and Update System redesign.	FY 2017	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 enforce death policy, enhance security, and reduce keying errors. In FY 2015, we expanded the use of these screens to include individuals receiving payments and those that were not. In FY 2016, we plan to make the Numident our official repository for death information, prospectively, improve the availability of death information to all of our systems, and develop and collect management information. In FY 2017, we plan to: • Redesign the DIPS screens and integrate them into the person centered path; • Provide additional management information reporting.

In addition to our efforts listed above, while performing our study on centenarians (i.e., individuals who are at or over 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 under which 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.

Data Exchanges

We developed a strategic initiative focused on making better use of data exchanges to further use data from outside sources to improve program administration and prevent improper payments.

Description

Our objective is to continue current computer matching agreements (CMA) that yield a positive cost benefit analysis, expand effective CMAs to meet additional program needs, research current programs, work with internal stakeholders to identify data exchange needs, and pursue new data exchanges with potential partners.

Currently, we conduct 25 CMAs with various Federal partners to obtain benefit payment data, wage data, unemployment data, fugitive felon identification, savings securities, workers' compensation, residency information, and nursing facility admission data that we use to determine eligibility and offset benefits for our programs. The total annual savings attributed to these CMAs is over $4.5 billion, with an annual cost of approximately $193 million yielding a positive cost benefit ratio of 23.5 to 1.

Table 9 shows our efforts to pursue additional data exchanges to improve our OASDI and SSI improper payment identification and prevention efforts.

Table 9: Data Exchanges

Description	Target Completion	Status
Identify SSI recipients out of the country for longer than 30 days. This effort is to obtain a data exchange agreement with the Department of Homeland Security (DHS) that provides the necessary information from DHS' systems to make SSI improper payment determinations.	FY 2018	We are planning to perform a study of an initial set of data before implementing a full data exchange. We anticipate completion of all required documents by January 2016 and plan to complete the exchange and the study analysis in FY 2016. If the study findings support an ongoing data exchange, we will enter into a CMA with DHS. Full CMAs take approximately 12 months to develop; therefore, the earliest implementation date for a full data exchange to begin is FY 2018.

Description	Target Completion	Status
Obtain Federal payroll data via the Office of Child Support Enforcement's (OCSE) quarterly wage data, to compare to current DI recipients in order to reduce improper payments by timely suspending monthly payments if data suggests the income meets certain thresholds at which the benefit should be reduced or suspended. This data exchange is limited to Federal employees.	January 2016	The Office of the General Counsel (OGC) is currently developing the new CMA with the OCSE to obtain new hire, quarterly wage, and unemployment insurance (UI) data for DI recipients. The scheduled completion date is November 13, 2015 for a FY 2016 1st quarter exchange.
Expand the use of UI data for the DI program to reduce improper payments where the benefit should be suspended due to SGA.	January 2016	OGC is currently developing the new CMA with OCSE to obtain new hire, quarterly wage, and UI data for DI recipients. The scheduled completion date is November 13, 2015 for a FY 2016 1st quarter exchange.

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 staff 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. We provided refresher administrative sanctions interactive video training in January 2015 and produced a video on demand later that month.

Table 10 shows our actions to reduce errors by imposing administrative sanctions.

Table 10: Administrative Sanctions

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.	Completed June 2015	In April 2014, we completed a preliminary evaluation report covering implementation through January 2014. We issued a final evaluation report of the new process in June 2015. The extended evaluation period provides 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 OIG agents and local law enforcement on regional anti-fraud committees (RAFC). In FY 2014, 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:

- Providing an open forum for agency senior executives to collaborate and develop agency-level strategies to address fraud challenges;
- Considering best practices, benchmarking, and new or evolving technology and analytical techniques to help prevent and detect fraud;
- Ensuring that the agency addresses the most critical vulnerabilities related to fraud;
- Serving as an advisory board for the newly established Office of Anti-Fraud Programs (OAFP);
- Evaluating potential anti-fraud initiatives introduced by the RAFCs, workgroups, and employee suggestions; and
- Visibly demonstrating the agency's commitment to combating fraud and fostering public confidence in the stewardship of our programs.

On November 24, 2014, the Acting Commissioner approved the establishment of OAFP. An Associate Commissioner-level office, OAFP's mission is to more efficiently and effectively detect, deter, and mitigate fraud, waste, and abuse of our programs. OAFP provides oversight and accountability for the agency's anti-fraud activities, working closely with the NAFC.

The NAFC co-chairs and OAFP meet periodically to ensure sustained attention on anti-fraud efforts. With the support of OAFP, the NAFC co-chairs convene regular meetings of the full NAFC membership. At any time, members may ask the co-chairs to call a meeting to discuss issues that require agency-level attention. On September 16, 2015, OAFP and the NAFC co-chairs hosted a National Anti-Fraud Conference to share best practices and discuss FY 2016 priorities and initiatives. We provide additional information on this activity in our *Systems and Controls* section of this FY 2015 *Agency Financial Report*.

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 $3.363 billion in OASDI and SSI benefit overpayments in FY 2015 at an administrative cost of $0.07 for every dollar collected. We collected $16.60 billion over a 5-year period (FYs 2011-2015). Since 2004, our cumulative recoveries are $34.34 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 2015 our external collection techniques have yielded $5.591 billion in benefit overpayment recovery. Table 12 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 TOP, credit bureau reporting, and 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. The State Reciprocal Program 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. We are exploring policy options to address using TOP for childhood beneficiaries.

Continued improvement in other aspects of our debt collection program is underway. In FY 2016, we will begin planning and analysis for the Overpayment Redesign Initiative. Through this initiative, we will build a new comprehensive overpayment system that will enable us to record, track, collect, and report our overpayments more efficiently. We expect development of the Overpayment Redesign Initiative to be a multi-year effort. As resources permit, we will also expand the Non-Entitled Debtors (NED) program to collect additional debts from debtors who have never been entitled to OASDI benefits or SSI payments. The NED initiative will be developed in a series of releases. Currently, NED captures payments made to representative payees after the death of a title II beneficiary, and overpayments to representative payees prior to the death of the title II beneficiary for which the payee is responsible.

In the future, we will also 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. Prior to implementing these additional debt recovery tools, we will need to address many factors. For example, assess which of these tools to pursue; e.g., penalties and fees or indexing debt balances, the impact on our current collection policies and procedures, our post-entitlement notices as well as the need for new notices, and feasibility of resources to address development, implementation, and oversight from an information technology and operations impact perspective. Due to higher priorities to address other mandatory debt collection initiatives, we currently do not have a schedule of when we will explore these additional debt collection authorities.

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 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 11 shows enhancements to improve our OASDI and SSI debt recovery efforts.

Table 11: Collecting Debt

Description	Target Completion	Status
Collect delinquent OASDI and SSI debts through TOP/State Reciprocal Program.	TBD	We implemented the required systems enhancements in 2013. We began sending mandatory notification to delinquent debtors in October 2013, additional notifications are on hold pending the resumption of TOP notices to debtors with debts 10 or more years delinquent.
Complete initial notification to debtors for debts 10 years or more delinquent for possible use of TOP to recover the debts.	TBD	We are exploring policy options to address use of TOP for childhood beneficiaries.
Pursue TOP business process improvements.	Completed February 2015	In February 2015, we implemented the Address Verification Project, which will improve our current TOP notification process. We now obtain mailing addresses for individuals before we attempt to mail our pre-offset notices by using a contracted address provider who makes every effort to obtain current address information. This change allows us to reach more debtors in our initial attempt to notify them of a potential offset of a Federal or State payment.
Conduct a Year 2049 (partial withholding) risk assessment.	Completed June 2015	We contracted with an independent firm to document and assess the impact of our current process to record, monitor, and report partial withholding of programmatic debt that extends beyond the year 2049 due to a system limitation. The contractor issued a final report on June 30, 2015, containing the results of its evaluation, including identified process weaknesses, risks, their potential impact, and recommendations for mitigating the weaknesses and risks. We will address the findings of the final report in 2016.

Table 12 shows the external collection techniques we use to recover OASDI and SSI overpayments.

Table 12: Cumulative Programmatic Debt Recovery Methods Through FY 2015
(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 $346.9 million in FY 2015 through this initiative.	$1.669	$1.063	$2.732
Credit Bureau Reporting[1]	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to credit bureaus. Credit bureau reporting contributed to the recovery of $79.8 million in FY 2015.	$0.551	$0.385	$0.937
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 $148.5 million[2] through cross-program recovery in FY 2015.	$0.227	$0.985	$1.212
NED[3]	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 $3.5 million in FY 2015.	$0.036	Not Applicable	$0.036[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 $15.1 million through this process in FY 2015.	$0.137	$0.027	$0.164
Automatic Netting SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $123.4 million in FY 2015.	Not Applicable	$1.483	$1.483
Total			$2.033	$3.558	$5.591

Notes:

1. The credit bureau reporting totals are a subset of TOP collections.
2. The cross-program recovery total for FY 2015 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 FY 2015 *Agency Financial Report* for information on our programmatic and administrative debt activity.