

# PAYMENT INTEGRITY

## BACKGROUND

Our Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) program integrity workloads are critical to ensuring efficient programs and accurate payments. We take our responsibility to reduce improper payments very seriously. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. “Strengthen the Integrity of Our Programs” is a Strategic Goal in our [Agency Strategic Plan for Fiscal Years \(FY\) 2014–2018](http://www.socialsecurity.gov/agency/asp/). 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 does not necessarily 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 before improvement are considered proper payments.

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.

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. More information about the improper payments in our high-priority programs for FY 2017 and previous years can be found on [OMB’s improper payment website](http://www.paymentaccuracy.gov/).

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. The report also describes our efforts in reducing, recovering, and preventing improper payments for our OASDI and SSI benefit programs and our administrative payments.

We also fulfill the requirements of Executive Order 13520, *Reducing Improper Payments*, by providing additional information about our efforts to curb improper payments in our OASDI and SSI programs on [our public improper payments website](http://www.socialsecurity.gov/improperpayments/).

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## PAYMENT REPORTING

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### IMPROPER PAYMENTS STRATEGY

For FY 2017, we continued to align our improper payments strategy with our improper payments governance. We are collaborating 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 our Federal partners across the Improper Payment and Data Exchange Communities of Practice to find innovative ways to prevent and reduce improper payments through potential legislative proposals, data exchange agreements, or other collaboration;
- Increase efforts to recover overpayments by modernizing our debt collection systems;
- 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.

We do not intend for our key improper payment initiatives to be a static list. We periodically reassess our focus as it relates to reducing improper payments. One of our ongoing priorities is to enhance quality and payment accuracy for the public.

This fiscal year, based upon our stewardship reviews and other efforts, we identified the leading causes of improper payments and major quality issues and selected workloads where we can collectively make meaningful progress by the end of FY 2018, based on the FY 2018 President’s Budget. Building on our current efforts and processes, we will focus on two key areas: (1) combating the leading cause of improper payments; and (2) improving quality and program integrity.

The following are our key priority strategic initiatives to achieve our Strategic Goal:

- Explore the cost-effectiveness of increasing Access to Financial Institutions (AFI) information;
- Enhance the wage reporting process;
- Identify non-home real property;
- Make better use of data exchanges, including entering into a new data exchange agreement to obtain arrival and departure information from the Department of Homeland Security (DHS), Customs and Border Protection;
- Implement a corrective plan for applying the Government Pension Offset (GPO) ([a definition of GPO is available at: www.socialsecurity.gov/pubs/10007.html](http://www.socialsecurity.gov/pubs/10007.html)) and Windfall Elimination Provisions (WEP) ([a definition of WEP is available at: www.socialsecurity.gov/pubs/EN-05-10045.pdf](http://www.socialsecurity.gov/pubs/EN-05-10045.pdf));
- Identify potential entitlements;
- Increase post-entitlement accuracy;
- Enhance debt collection policy and practices;
- Improve the representative payee capability determination process; and
- Improve medical cessation processing.

We discuss these initiatives and their relation to reducing improper payments in our OASDI and SSI programs in the Improper Payment Root Cause Categories and the Improper Payment Corrective Actions sections of this report.

We also discuss initiatives that affect improper payments in both programs in the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section of this *Payment Integrity* report.

In our *Annual Performance Plan for FYs 2017–2018*, one of our strategic objectives to achieve our Strategic Goal is to Increase Payment Accuracy. To reach this strategic objective, we identified the following four performance measures:

- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments;
- Improve the integrity of the SSI program by ensuring that 94 percent of our payments are free of overpayment;
- Complete the budgeted number of full medical CDRs; and
- Complete the budgeted number of SSI non-medical redeterminations.

We provide more information about our performance measures in our [Annual Performance Plan for FYs 2017–2018 \(www.socialsecurity.gov/agency/performance/2018/2018APP.pdf\)](http://www.socialsecurity.gov/agency/performance/2018/2018APP.pdf).

## EXPERIENCE 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 OASI, DI, OASDI, and SSI programs for FY 2016. 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 rate by adding overpayment and underpayment dollars and dividing the sum total dollars paid.

Please see Table 1.1 for more details about our improper payment rates for the OASI and DI programs for FYs 2014, 2015, and 2016. For our SSI program, please see Table 1.2 for more details about our improper payment rates for the SSI program for FYs 2014, 2015, and 2016.

**Table 1: Improper Payments Experience  
FY 2016  
(Dollars in Millions)**

	OASI	DI	OASDI	SSI	DRAA	Total
<b>FY 2016 Outlays</b>	\$770,538.77	\$140,661.52	\$911,200.29	\$56,754.07	\$0.00	\$967,954.36
<b>FY 2016 Proper Payment \$</b>	\$768,699.60	\$139,922.30	\$908,621.90	\$51,734.13	\$0.00	\$960,356.03
<b>FY 2016 Proper Payment %</b>	99.76%	99.47%	99.72%	91.15%	100.00%	99.22%
<b>FY 2016 Improper Payment \$</b>	\$1,839.17	\$739.22	\$2,578.39	\$5,019.94	\$0.00	\$7,598.33
<b>FY 2016 Improper Payment %</b>	0.24%	0.53%	0.28%	8.85%	0.00%	0.78%
<b>FY 2016 Overpayment \$</b>	\$1,210.73	\$697.60	\$1,908.33	\$4,323.93	\$0.00	\$6,232.26
<b>FY 2016 Overpayment %</b>	0.16%	0.50%	0.21%	7.62%	0.00%	0.64%
<b>FY 2016 Underpayment \$</b>	\$628.44	\$41.62	\$670.06	\$696.01	\$0.00	\$1,366.07
<b>FY 2016 Underpayment %</b>	0.08%	0.03%	0.07%	1.23%	0.00%	0.14%

## Notes:

1. Total OASDI and SSI outlays for FY 2016 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. OASDI outlays are estimates based on limited sample sizes.
3. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive percentages from unrounded source data.
4. We had no DRAA payments in FY 2016. In addition, there is no additional funding or obligations for DRAA.

## OASDI EXPERIENCE

Over the last 5 years (FYs 2012–2016), our stewardship reviews estimate that we paid approximately \$3.5 trillion to OASI beneficiaries. Of that total, we estimate \$7.3 billion were overpayments, representing approximately 0.21 percent of outlays. We estimate that underpayments during this same period were \$2.5 billion, the equivalent of approximately 0.07 percent of outlays.

Applying the same analysis to the DI program, we estimate that we paid \$682.7 billion to DI beneficiaries over the last 5 years (FYs 2012–2016). Of that total, we estimate \$5.8 billion were overpayments, representing approximately 0.85 percent of outlays. We estimate underpayments during this same period totaled \$1.1 billion, the equivalent of approximately 0.16 percent of outlays.

Table 1.1 shows the estimated improper payment rates for the OASI and DI programs for FYs 2014, 2015, and 2016.

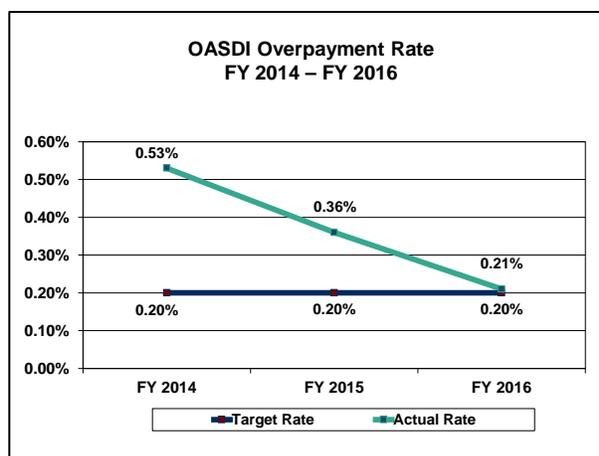
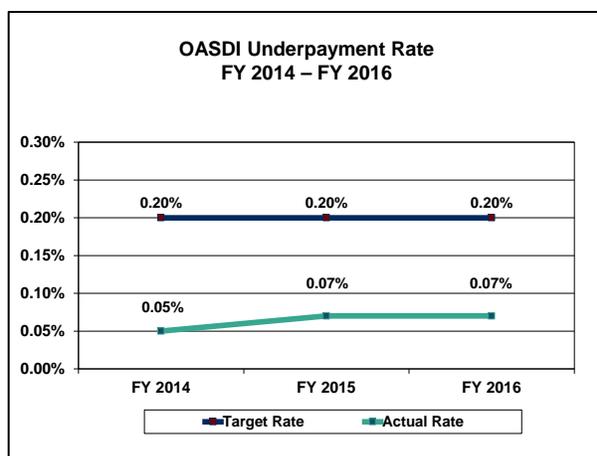
**Table 1.1: OASDI Improper Payments Experience  
FY 2014 – FY 2016  
(Dollars in Millions)**

	FY 2014		FY 2015		FY 2016	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
<b>OASI</b>						
<b>Total Benefit Payments</b>	\$720,351.38		\$712,644.02		\$770,538.77	
<b>Underpayment Error</b>	\$291.26	0.04%	\$371.62	0.05%	\$628.44	0.08%
<b>Overpayment Error</b>	\$2,962.06	0.41%	\$1,575.47	0.22%	\$1,210.73	0.16%
<b>DI</b>						
<b>Total Benefit Payments</b>	\$142,368.41		\$141,045.42		\$140,661.52	
<b>Underpayment Error</b>	\$181.19	0.13%	\$200.14	0.14%	\$41.62	0.03%
<b>Overpayment Error</b>	\$1,603.68	1.13%	\$1,524.93	1.08%	\$697.60	0.50%
<b>Combined OASDI</b>						
<b>Total Benefit Payments</b>	\$862,719.79		\$853,689.44		\$911,200.29	
<b>Underpayment Error</b>	\$472.45	0.05%	\$571.76	0.07%	\$670.06	0.07%
<b>Underpayment Target</b>		≤0.20%		≤0.20%		≤0.20%
<b>Overpayment Error</b>	\$4,565.74	0.53%	\$3,100.40	0.36%	\$1,908.33	0.21%
<b>Overpayment Target</b>		≤0.20%		≤0.20%		≤0.20%

## Notes:

- Total benefit payments for FYs 2014–2016 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.
- Total benefit payments for OASDI are estimates based on limited sample sizes, which may cause them to vary from year to year.
- FY 2017 data will not be available until summer 2018.
- There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
- OASI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, +0.03 percent and –0.05 percent for underpayments and ±0.40 percent for overpayments; for FY 2015, +0.03 percent and –0.04 percent for underpayments and +0.14 percent and –0.15 percent for overpayments; and for FY 2016, +0.07 percent and –0.10 percent for underpayments and +0.13 percent and –0.12 percent for overpayments.
- DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, +0.12 percent and –0.23 percent for underpayments and +0.12 percent and –1.76 percent for overpayments; for FY 2015, +0.13 percent and –0.25 percent for underpayments and +1.07 percent and –1.18 percent for overpayments; and for FY 2016, +0.02 percent and –0.06 percent for underpayments and +0.49 percent and –0.53 percent for overpayments.
- Changes in the OASDI error rates from FY 2014 to FY 2015 and from FY 2015 to FY 2016 are not statistically significant.

The following graphs show our estimated OASDI underpayment and overpayment rates for the last three years. Substantial Gainful Activity (SGA) ([a definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html](http://www.socialsecurity.gov/oact/cola/sga.html)) and WEP and GPO errors continue to impact the overall error rates as the leading causes of error.



### SSI EXPERIENCE

Over the last 5 years (FYs 2012–2016), our stewardship reviews estimate that we paid approximately \$278.6 billion to SSI recipients. Of that total, we estimate \$19.3 billion were overpayments, representing about 7 percent of outlays. We estimate that underpayments during this same period were \$4.2 billion, the equivalent of approximately 1.5 percent of outlays.

Table 1.2 shows the estimated improper payment rates for the SSI program for FYs 2014, 2015, and 2016.

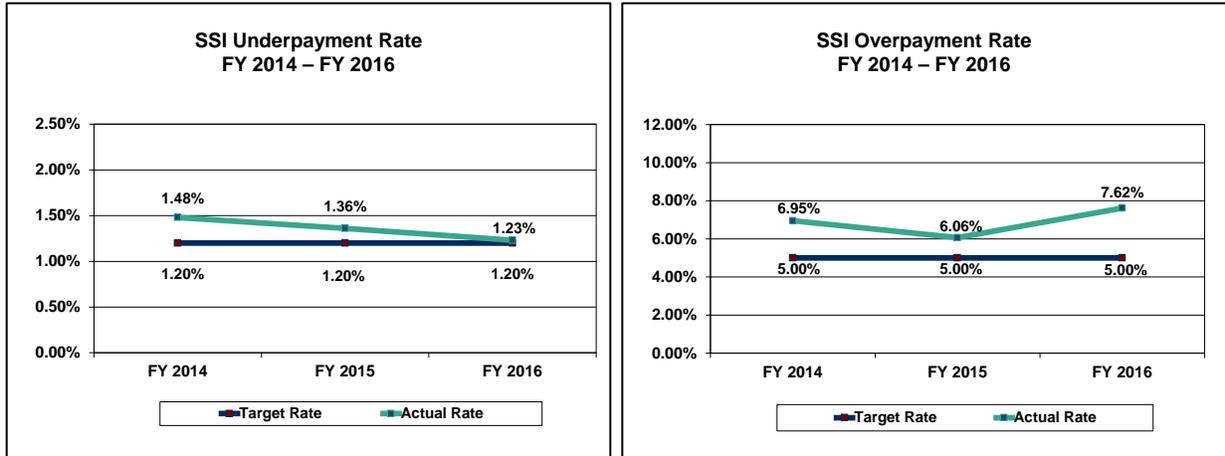
**Table 1.2: SSI Improper Payments Experience  
FY 2014 – FY 2016  
(Dollars in Millions)**

	FY 2014	FY 2015	FY 2016
<b>Total Federally Administered Payments</b>			
Dollars	\$56,457.56	\$56,625.58	\$56,754.07
<b>Underpayments</b>			
Dollars	\$840.26	\$770.20	\$696.01
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.48%	1.36%	1.23%
<b>Overpayments</b>			
Dollars	\$3,924.48	\$3,431.29	\$4,323.93
Target Rate	≤5.00%	≤5.00%	≤5.00%
Actual Rate	6.95%	6.06%	7.62%

Notes:

- Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
- FY 2017 data will not be available until summer 2018.
- The percentages and dollar amounts presented in Table 1.2 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.
- SSI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, ±0.27 percent for underpayments and ±0.95 percent for overpayments; for FY 2015, ±0.51 percent for underpayments and ±0.64 percent for overpayments; and for FY 2016, ±0.31 percent for underpayments and ±1.08 percent for overpayments.
- Please note that year-to-year differences from FY 2014 to FY 2015 are not statistically significant. Changes in the SSI overpayment error rates from FY 2015 to FY 2016 are statistically significant.

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



### IMPROPER PAYMENT ROOT CAUSE CATEGORIES

Table 2 lists the major causes of improper payments (overpayments and underpayments) in the OASDI and SSI programs using OMB’s seven categories of error. For consistency with Table 1, we also included DRAA payments.

**Table 2: Improper Payment Root Cause Category Matrix for FY 2016**  
(Dollars in Millions)

Reason for Improper Payment	OASDI Program		SSI Program		DRAA	
	Overpayments	Underpayments	Overpayments	Underpayments	Overpayments	Underpayments
<b>Program Design or Structural Issue</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Inability to Authenticate Eligibility</b>	\$26.89	\$0	\$3,931.10	\$596.93	\$0	\$0
<b>Failure to Verify:</b>						
Death Data	\$101.67	\$0	\$42.01	\$0	\$0	\$0
Financial Data	\$0	\$0	\$197.22	\$9.89	\$0	\$0
Excluded Party Data	\$0	\$0	\$0	\$0	\$0	\$0
Prisoner Data	\$0	\$0	\$0	\$0	\$0	\$0
Other Eligibility Data	\$568.28	\$36.01	\$47.62	\$12.01	\$0	\$0
<b>Administrative or Process Error Made by:</b>						
Federal Agency	\$1,211.49	\$634.05	\$105.98	\$77.18	\$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
<b>Medical Necessity</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Insufficient Documentation to Determine</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>Other Reason (explain)</b>	\$0	\$0	\$0	\$0	\$0	\$0
<b>TOTAL</b>	\$1,908.33	\$670.06	\$4,323.93	\$696.01	\$0	\$0

## Notes:

1. Data Source: FY 2016 OASDI and SSI stewardship reviews.
2. There may be slight variances in the dollar amounts reported due to rounding of source data.
3. Because the amount of death overpayment is small, the estimated amount of error found in our samples varies from year to year. Over the five-year period, FY 2012–FY 2016, it averaged approximately \$29 million per year.
4. Because the amount of prisoner overpayment is small, the estimated amount of error found in our samples varies from year-to-year.
5. 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. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Substantial Gainful Activity (Table 2.2). For our SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; Financial Accounts (Table 2.7), Wages (Table 2.9), and Other Real Property (Table 2.13).
  - **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. For more information, see the Additional Comments section.
    - **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. For our corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; Financial Accounts (Table 2.7) and Other Real Property (Table 2.13).
    - **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. For our corrective actions related to this improper payment category, refer to the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section; Prisoner Information.
    - **Other Eligibility Data** – Any other failure to verify data not already listed above, causing the agency to make an improper payment as a result. For OASDI, the leading root causes are SGA and GPO. For SSI, the leading root causes are Living Arrangement and In-kind Support and Maintenance. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Substantial Gainful Activity (Table 2.2). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (Table 2.11).
  - **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. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Increase Post-Entitlement Accuracy (Table 2.4) and Potential Entitlements (Table 2.5). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (Table 2.11).
  - **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.

## IMPROPER PAYMENT CORRECTIVE ACTIONS

### MAJOR CAUSES AND CORRECTIVE ACTIONS FOR OASDI IMPROPER PAYMENTS

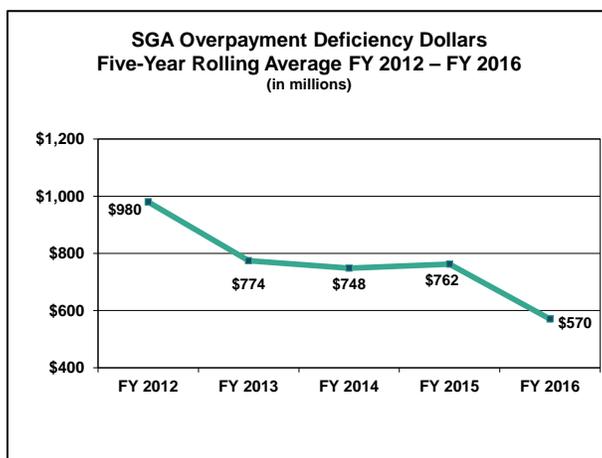
Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are SGA and errors in computations. The major cause of underpayments is errors in computations.

#### SUBSTANTIAL GAINFUL ACTIVITY

##### Description:

When disability beneficiaries work, several 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. Please note that year-to-year differences are not statistically significant.

##### Historical Figures:



**Table 2.1: SGA Overpayment Deficiency Dollars  
FY 2012 – FY 2016  
(Dollars in Millions)**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Overpayments</b>	\$980	\$774	\$748	\$762	\$570

##### Corrective Actions:

Table 2.2 shows our actions to ensure timely processing of beneficiaries’ earnings. Payment errors based on SGA correspond to the “Inability to Authenticate Eligibility” and the “Failure to Verify: Other Eligibility Data” categories in Table 2.

Table 2.2: SGA – Corrective Actions

Description	Target Completion	Status
<b><u>Audit Recommendation</u></b>		
To minimize improper payments, we agreed with an audit recommendation to prioritize identifying cases where we failed to terminate the disability payments following medical cessation determinations.	September 2017	We continue to work with all stakeholders to develop appropriate corrective actions and enhance automated solutions on these cases. Since November 2015, we have initiated all 8,807 cases released for corrective action. We continue discussions with appropriate stakeholders to enhance our automated solutions to prevent such errors in the future.
<b><u>Predictive Model</u></b>		
We have developed Work Smart. The Work Smart process identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. The process builds on the current Continuing Disability Review Enforcement Operation (CDREO) by integrating quarterly work CDR alerts based on quarterly earnings from the Office of Childhood Support Enforcement (OCSE) into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process.	Ongoing	<p>In 2016, over 80 percent of the completed work CDRs, selected by Work Smart with a high probability of an overpayment, ended in a cessation of benefits.</p> <p>In 2017, Work Smart will select over 15,000 cases requiring a work CDR using quarterly earnings (OCSE data). These cases will be worked roughly one year in advance from when annual earnings data would be available. The remaining cases selected for a work CDR will come from annual earnings.</p> <p>In FY 2017, we removed approximately 809,854 unproductive CDR alerts from the current CDREO process using the national screening program.</p> <p>When we implement Section 824 of the <i>Bipartisan Budget Act of 2015</i> in 2018, we will be introducing monthly earnings into Work Smart as another form of earnings data that will allow us to identify beneficiaries working above SGA.</p>
<b><u>Legislation and Legislative Proposals</u></b>		
Section 826 of the <i>Bipartisan Budget Act of 2015</i> requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	Completed September 2017	In September 2017, we implemented a new online wage reporting application where Social Security DI beneficiaries and their representative payees can report wages online through their <i>my Social Security</i> account.

Description	Target Completion	Status
<p>Section 824 of the <i>Bipartisan Budget Act of 2015</i> authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the DI and SSI programs to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for any omission or error in the wages provided by the payroll data provider.</p>	<p>April 2018</p>	<p>To implement the <i>Bipartisan Budget Act of 2015</i> authority, we obtained executive approval on the business process document and began systems planning and analysis in November 2016. We convened a cross-agency project team to collaborate on implementing Section 824 of the <i>Bipartisan Budget Act of 2015</i> and other wage-related provisions. We have met major milestones, such as finalizing the Federal Register Notice (FRN) and the Notice of Proposed Rulemaking (NPRM), which we will publish at a later date. We are developing training materials for our employees and began collecting the wage and employment information authorization from SSI and DI applicants and beneficiaries in late September 2017. Implementation of the supporting data exchange is contingent on successful contract negotiations. We are prioritizing resources to implement DI processing and other future enhancements in FYs 2018–2019.</p>

**COMPUTATIONS**

**Description:**

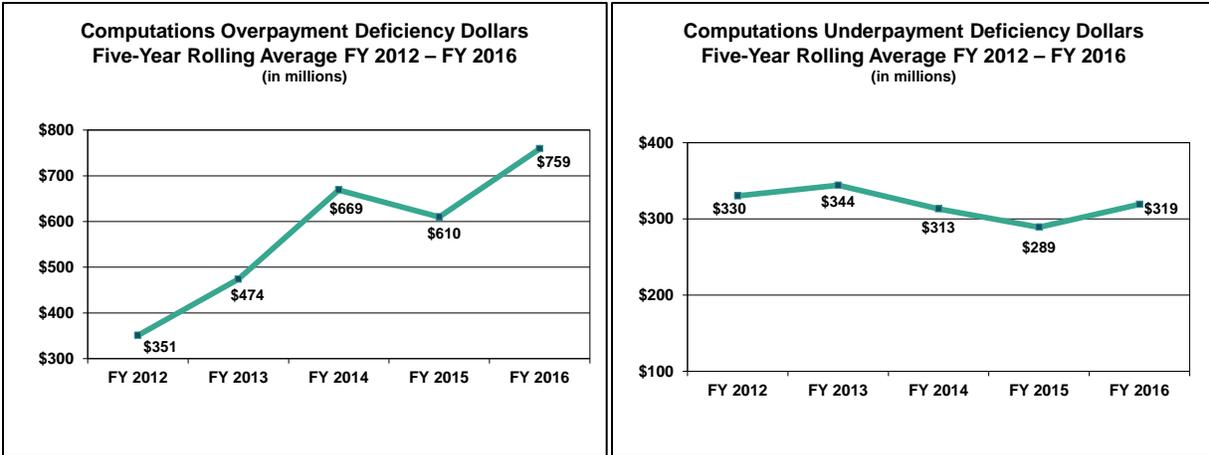
Errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

We determine a person’s benefit amount based on several factors, including age, earnings history, and the type of benefit awarded.

Inaccurate information or administrative mistakes can cause errors in calculating benefits. For FYs 2012–2016, approximately 70 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 (ARF) 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 the larger of 82.5 percent of the deceased beneficiary’s death Primary Insurance Amount or the benefit amount that the deceased beneficiary would receive if he or she were still alive. WEP accounted for 66 percent of computation errors for the 5-year period, while RIB-LIM and ARF, respectively, accounted for 10 percent and 6 percent of these errors. In addition to our WEP/GPO Corrective Action Plan that is now underway, we will further identify the root causes of RIB-LIM and ARF errors and likely issue policy reminders to our staff.

**Historical Figures:**

Please note that year-to-year differences are not statistically significant.



**Table 2.3: Computations Deficiency Dollars  
FY 2012 – FY 2016  
(Dollars in Millions)**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Overpayments</b>	\$351	\$474	\$669	\$610	\$759
<b>Underpayments</b>	\$330	\$344	\$313	\$289	\$319

**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. To address this issue, we developed Work Smart. The Work Smart process identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. The process builds on the current CDREO by integrating quarterly work CDR alerts based on quarterly earnings from OCSE into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process so technicians can evaluate cases where a beneficiary is working over SGA.

By addressing post-entitlement accuracy and identifying potential entitlements, we will reduce improper overpayments and underpayments.

Table 2.4 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 2.4: Increase Post-Entitlement Accuracy – Corrective Actions**

Description	Target Completion	Status
Provide better descriptive definitions of the OASDI systems alert, exception, and processing limitation codes to give technicians more precise information on actions needed.	FY 2018	We completed planning and analysis in September 2016. We began updating problematic OASDI system alert, exception, and processing limitation codes with better descriptive definitions in FY 2017. The ongoing enhancements should improve technicians' post-entitlement processing accuracy.
Review the most problematic overpayment cases being worked in our Office of Disability Operations. Our objective is to determine the root causes of overpayment errors and provide recommendations to address improved processing.	FY 2018	This project is ongoing. We began a national payment center overpayment study in April 2016. In FY 2016, we focused on overpayments due to disability cessation or extended period of eligibility. We have completed the FY 2016 case reviews. The report is in the final stages of clearance.

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 established a dedicated workgroup and process for evaluating and addressing potential entitlement workloads. To date, we have:

- Initiated four outreach efforts dealing with vulnerable populations such as widows, veterans, the aged, and disabled children.
- Implemented systems changes for three projects dealing with widows, children, and the aged.
- Developed a community outreach plan to promote OASDI surviving parent's benefits.
- Completed analysis on projects involving potential entitlement situations for minor children, Medicare only beneficiaries, military service retirees, and disabled children.
- Selected projects to be addressed in FY 2018.

Table 2.5 shows our further actions to pursue potential entitlement workloads. Some corrective actions in the table will be implemented over more than one fiscal year. We plan to reduce underpayments by completing workloads targeting vulnerable populations. We will identify cases and develop a strategy to prevent recurrences. Payment errors related to potential entitlements correspond to the “Administrative or Process Error Made by: Federal Agency” category in Table 2.

**Table 2.5: Potential Entitlements – Corrective Actions**

Description	Target Completion	Status
Pursue potential entitlement workloads.	Completed FY 2017	<ul style="list-style-type: none"> <li>• In FY 2017, key potential entitlement efforts included:               <ul style="list-style-type: none"> <li>○ Paying veterans who were not given full credit for their military service (i.e., analyzing and preparing military service cases to credit appropriate wages). We paid over \$7 million in underpayments to over 1,252 veterans.</li> <li>○ Paying SSI recipients currently on our rolls who are eligible for childhood disability beneficiary (CDB) benefits. We identified and conducted analysis on a population of 13,934 recipients who are eligible for CDB benefits. The cases were prepared for case processing.</li> <li>○ Paying spouses and children due underpayments because we resumed benefits to the number holder, but did not resume benefits to the auxiliaries following a termination. We identified 6,365 beneficiaries who required updated payment information. The payment information was updated, and the files were prepared for resumption of benefits.</li> <li>○ Identifying SSI recipients entitled to child benefits on the record of a parent. We prepared a file of 27,565 claimants for review and case processing.</li> <li>○ Identifying 1,249 CDBs incorrectly charged a 5-month waiting period. We prepared a file for case processing.</li> <li>○ Developing a systems alert to identify Medicare only beneficiaries when they attain 30–40 quarters of coverage. We implemented the system alert in September 2017.</li> </ul> </li> </ul>

Description	Target Completion	Status
Pursue potential entitlement workloads (continued).	FY 2018	<ul style="list-style-type: none"> <li>• In FY 2018, key potential entitlement efforts will include:               <ul style="list-style-type: none"> <li>○ Processing 1,249 cases involving CDB beneficiaries incorrectly charged a 5-month waiting period. We expect to complete these cases in December 2017.</li> <li>○ Processing cases involving 13,934 SSI recipients currently on our rolls who are eligible for CDB benefits. We expect to complete these cases by June 2018.</li> <li>○ Resuming benefits to 6,365 spouses and children due underpayments because we resumed benefits to the number holder, but did not resume benefits to the auxiliaries following a termination. We expect to complete these cases by October 2018.</li> <li>○ Processing 27,565 cases involving SSI recipients entitled to child benefits on the record of a parent. We expect to complete these cases by October 2018.</li> <li>○ Preparing to conduct outreach to secure applications from beneficiaries who are currently receiving widow's benefits on the record of their most recent spouse but are due a higher benefit on the record of a previous deceased spouse.</li> <li>○ Paying veterans denied based on insured status because proper credit was not given for deemed wages.</li> <li>○ Paying beneficiaries due underpayments because we withheld benefits pending SSI offset.</li> <li>○ Identifying individuals incorrectly denied retirement benefits due to lack of insured status.</li> <li>○ Identifying Federal employees eligible for benefits and/or Medicare entitlement.</li> </ul> </li> </ul>

### MAJOR CAUSES AND CORRECTIVE ACTIONS FOR SSI IMPROPER PAYMENTS

Our greatest payment accuracy challenges occur within the SSI program. The program's complexities stem from the way legislation requires us to determine SSI eligibility and 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 who are blind, disabled, or aged. This program is complex because fluctuations in monthly income, resources, and living arrangements may affect

eligibility and monthly payment amounts. Improper payments often occur if recipients (or their representative payees on their behalf) fail to timely report changes in any of these factors (e.g., an increase of their resources or a change in their wages). Failure to report 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).

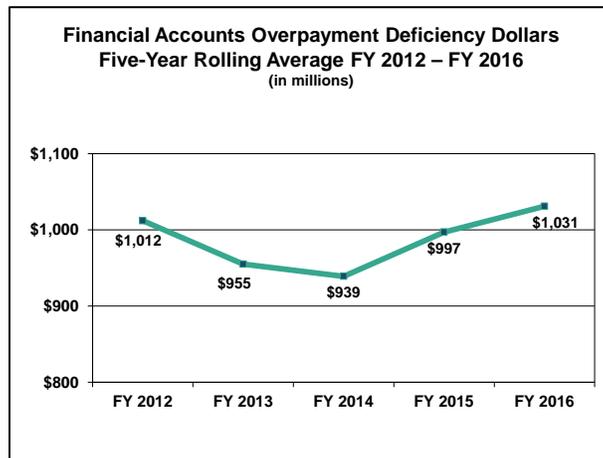
Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Later in this section, we provide information on our corrective actions for living arrangements under the corrective action for wages.

**FINANCIAL ACCOUNTS**

**Description:**

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

**Historical Figures:**



**Table 2.6: Financial Accounts Overpayment Deficiency Dollars FY 2012 – FY 2016 (Dollars in Millions)**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Overpayments</b>	\$1,012	\$955	\$939	\$997	\$1,031

**Corrective Actions:**

A claimant, recipient, or deemor must give us permission to request his or her financial records from any financial institution (i.e., financial permission) as an eligibility requirement for SSI. We developed the AFI program to

address overpayment errors related to financial accounts. 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, as well as 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.

In an effort to streamline and continue the use of the AFI waiver process, we plan to implement four AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.

Table 2.7 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.

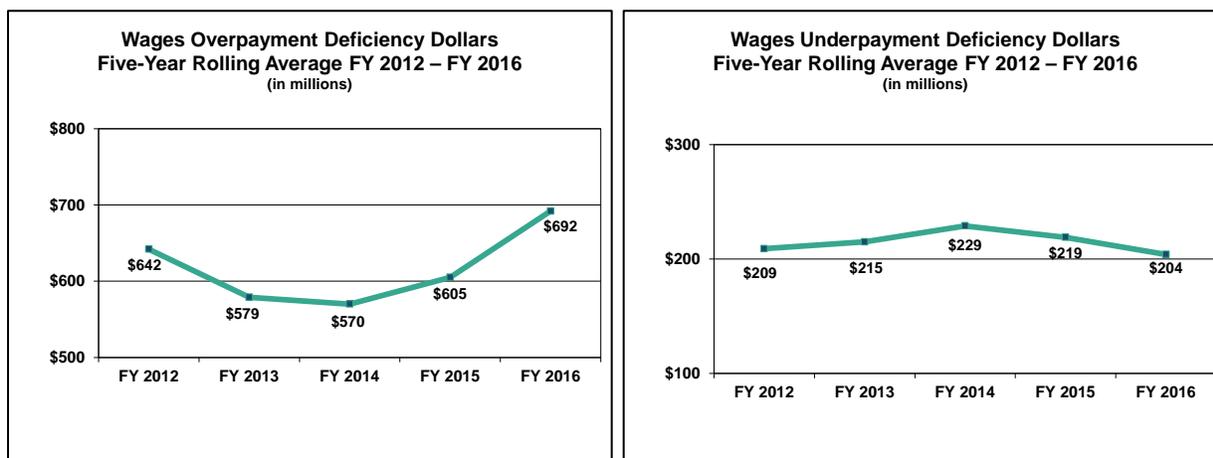
**Table 2.7: Financial Accounts – Corrective Actions**

Description	Target Completion	Status
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance that we implemented in October 2013.	Completed FY 2016	We completed evaluations in the first quarter of FY 2016. Based on these findings, we are recommending that it would not be the most efficient use of our limited program integrity resources to conduct additional AFI searches or to make any additional changes to the process at this time.
Conduct study to evaluate benefits of automatically initiating AFI requests during the period between redeterminations of SSI eligibility. This proposal would enable us to prevent improper payments earlier and limit the amount of any overpayments.	Completed December 2015	Our study found that it would not be the most efficient use of program integrity resources to use AFI between SSI redeterminations.
Implement two AFI systems enhancements that will improve our current process for initiating AFI.	Completed January 2016	In October 2015, we added functionality to allow an address, other than the current residence address, for geographic searches in AFI to search the prior address when a person moves.  In January 2016, we added functionality to search for financial institutions by the routing transit number when initiating AFI requests.
Implement four AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.	FY 2020 through FY 2022	Planning and analysis is to begin in FY 2018. We will implement the following key AFI waiver enhancements in the new debt management system: <ul style="list-style-type: none"> <li>• Create an automatic trigger of AFI requests; scheduled for development in FY 2020.</li> <li>• Enhance ability to view attachments from financial institutions; scheduled for development and release in FY 2021.</li> <li>• Automate splitting of co-owned bank account balances; scheduled for development and release in FY 2021.</li> <li>• Create functionality to recall/cancel/delete AFI requests; scheduled for development and release in FY 2022.</li> </ul>

**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:



**Table 2.8: Wages Deficiency Dollars  
FY 2012 – FY 2016  
(Dollars in Millions)**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Overpayments</b>	\$642	\$579	\$570	\$605	\$692
<b>Underpayments</b>	\$209	\$215	\$229	\$219	\$204

**Corrective Actions:**

We rely on individuals to self-report wages to us on time. However, we know that they may fail to report or not report wages in time to prevent an improper payment. Section 824 of the *Bipartisan Budget Act of 2015* gives the agency authority to conduct information exchanges with payroll providers to obtain accurate, up-to-date, and relevant wage information to determine SSI eligibility and to prevent improper payments. We will request that applicants, recipients, deemors, and ineligible children provide their consent for us to obtain wage information from payroll data providers as part of the SSI application and redetermination processes.

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 field offices 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 can use those automated reporting tools to report the preceding month’s wages at any time in the current month.

- Supplemental Security Income Telephone Wage Reporting (SSITWR)

In FY 2008, we implemented SSITWR, which allows recipients, representative payees, and deemors to report the prior month’s gross wages via an automated telephone system. SSITWR ensures we post the wage amounts to the individual’s record timely from the date we received the reported wages.

- Supplemental Security Income Mobile Wage Reporting Smartphone Application

Beginning in December 2012, 50 field offices across all 10 regions began a pilot for mobile wage reporting. This initiative allowed certain SSI recipients, representative payees, and deermors to use their smartphones to report the 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 field offices 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. Individuals can voluntarily sign up to receive a monthly email or text message reminder to report wages for the prior month.

We continue to increase the number of successful wage reports SSI recipients submit using our automated SSI wage reporting systems. In FY 2017, we processed 1,088,666 successful automated wage reports, which is an increase of 4.00 percent over the number in FY 2016.

Table 2.9 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 2.9: Wages – Corrective Actions

Description	Target Completion	Status
Request that SSI applicants and recipients provide their consent for us to obtain information from other sources.	Completed October 2015	We now capture the SSI recipient's authorization for us to contact commercial entities, including payroll providers, for evidence related to SSI eligibility and payment amount. In addition, we added new print options to allow the claims representative to provide a printed copy of the authorization information to the person who provided the authorization or to any third parties that require proof of authorization prior to releasing personal information to us.
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.
Section 826 of the <i>Bipartisan Budget Act of 2015</i> requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	Completed September 2017	In September 2017, we implemented a new online wage report application where Social Security DI beneficiaries and their representative payees can report wages online through their <i>my Social Security</i> account.
Section 824 of the <i>Bipartisan Budget Act of 2015</i> authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the DI and SSI programs to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for any omission or error in the wages provided by the payroll data provider.	April 2018	To implement the <i>Bipartisan Budget Act of 2015</i> authority, we obtained executive approval on the business process document and began systems planning and analysis in November 2016. We convened a cross-agency project team to collaborate on implementing Section 824 of the <i>Bipartisan Budget Act of 2015</i> and other wage-related provisions. We have met major milestones, such as finalizing the FRN and the NPRM, which we will publish at a later date. We are developing training materials for our employees and began collecting the wage and employment information authorization from SSI and DI applicants and beneficiaries in late September 2017. Implementation of the supporting data exchange is contingent on successful contract negotiations. We are prioritizing resources to implement DI processing and other future enhancements in FYs 2018–2019.

**IN-KIND SUPPORT AND MAINTENANCE****Description:**

ISM refers to the SSI policy for reducing benefit amounts for recipients who receive support in the form of food or shelter from family, friends, or other third party sources. Determining whether an individual receives ISM requires that claimants and recipients report changes in their living arrangement in a timely manner and answer detailed

questions about whom they live with, what their household expenses are, how they divide those expenses among household members, and what help they receive from outside of the household.

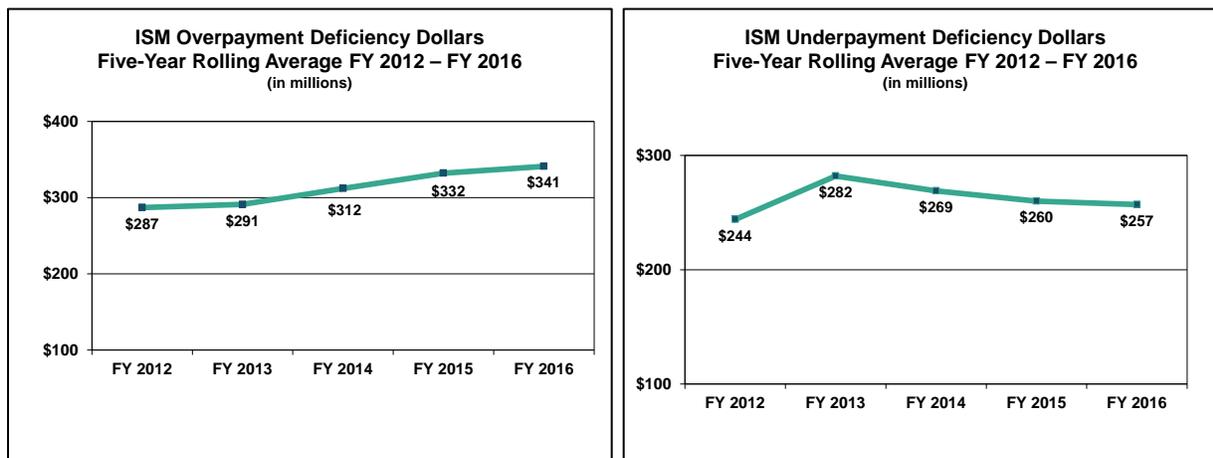
Every time we process an application for SSI benefits, develop a redetermination of eligibility for SSI benefits, or receive a change of address report, and the recipient alleges a living arrangement change that is not documented in our claims system, we need to develop and possibly recalculate for ISM.

For non-initial claim situations, our development may be retroactive up to a period of two years depending on the redetermination review period. We must develop for the possibility of ISM from the first change in living arrangement reported by the recipient to the present living arrangement. In addition, if a recipient reports a change in living arrangement and we discover that a prior living arrangement change was not reported, we must develop and possibly recalculate for ISM from the first change in living arrangement reported by the recipient to the present living arrangement. These situations, along with the lack of reports of livings arrangements by claimants and recipients, may create overpayments and underpayments.

We ask questions to help us determine if claimants or recipients are paying their share of the household expenses. If they are not paying their fair share, we count the difference between the fair share amount and the actual contribution as income to the claimant in the form of ISM.

We must develop for ISM under the law. The basis for charging ISM is found in [Section 1612\(a\)\(2\)\(A\) of the Social Security Act \(www.socialsecurity.gov/OP\\_Home/ssact/title16b/1612.htm\)](http://www.socialsecurity.gov/OP_Home/ssact/title16b/1612.htm). The law requires us to reduce an individual’s benefit amount by one-third when he or she is living in another person’s household and receiving support and maintenance, which for our purposes is food and shelter.

**Historical Figures:**



**Table 2.10: ISM Deficiency Dollars  
FY 2012 – FY 2016  
(Dollars in Millions)**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Overpayments</b>	\$287	\$291	\$312	\$332	\$341
<b>Underpayments</b>	\$244	\$282	\$269	\$260	\$257

**Corrective Actions:**

Table 2.11 shows our actions to reduce errors stemming from ISM. Payment errors stemming from ISM correspond to the “Failure to Verify: Other Eligibility Data” and the “Administrative or Process Error Made By: Federal Agency” categories in Table 2.

**Table 2.11: ISM – Corrective Actions**

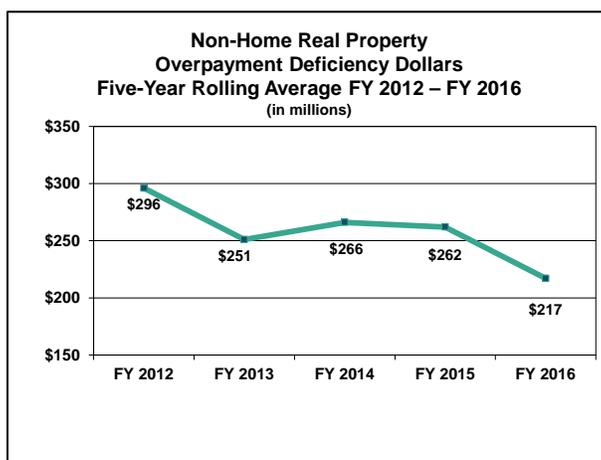
Description	Target Completion	Status
<b>Statutory, Regulatory, Policy and Procedure Review</b>		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	Because of our reviews, we issue periodic reminders and policy clarifications, 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 the 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 2012–2016, our FY 2016 stewardship reviews identified real property as the fourth leading cause of SSI overpayments, with average projected improper payments of \$217 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 require our technicians to identify undisclosed property owned by the applicant, recipient, or deemor via an electronic process.

**Historical Figures:**



**Table 2.12: Non-Home Real Property Overpayment Deficiency Dollars  
FY 2012 – FY 2016  
(Dollars in Millions)**

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
<b>Overpayments</b>	\$296	\$251	\$266	\$262	\$217

**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. This study indicated that the use of this data could reduce SSI overpayments associated with the ownership of undisclosed property by SSI claimants and recipients. In November 2015, we began pursuing nationwide expansion of non-home real property integration

with the SSI Claims System. The process will integrate third-party, non-home real property ownership data directly into the SSI Claims System path as a lead for further development. We implemented nationwide at the end of FY 2017.

Table 2.13 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 2.13: Other Real Property – Corrective Actions**

Description	Target Completion	Status
Fully integrate third-party, non-home real property data with SSI systems for mandatory use during initial claims and high-error redetermination interviews and optional use during other open claim events.	Completed FY 2017	In FY 2017, we completed nationwide implementation.
The FY 2018 President's Budget includes a proposal that would reduce improper payments by authorizing us to conduct data matches with private commercial databases that maintain data on ownership of real property (i.e., land and buildings), which can be a countable resource for SSI purposes. The proposal would authorize us to use that information to automatically determine an individual's eligibility for benefits, after proper notification. In addition, we could require a beneficiary's consent to allow us to access these databases as a condition of benefit receipt. All current due process and appeal rights would be preserved.	Pending	No congressional action to date.

## OTHER MAJOR CAUSES AND CORRECTIVE ACTIONS IN THE OASDI AND SSI PROGRAMS

The following key initiatives enhance our program integrity efforts.

### WINDFALL ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET

#### Description:

WEP and GPO are benefit reductions/offsets that apply to Social Security benefits of those individuals who worked in non-covered employment (i.e., did not pay Social Security taxes on their earnings) and who receive a pension based on those non-covered earnings. The majority of these non-covered workers are in Federal, State, or local government service.

While in total WEP and GPO lead to a large dollar value of improper payments, there is no single dominating cause of improper payments or errors leading to them. The root causes for the problems result from the lack of:

- Accurate data to administer the WEP and GPO provisions;
- Automation to minimize human error and ensure timely action in response to existing alerts;
- Understanding among agency technicians of how non-covered pensions work (e.g., whether the payments are recurring or issued in a lump sum or whether there may be a cost-of-living adjustment, which is key to correctly administering the WEP and GPO provisions); and
- Understanding among agency technicians of how to administer the WEP and GPO provisions, in terms of computations and any exceptions.

We propose a multi-pronged approach to address each of the underlying causes of improper payments:

- Pursuit of new data;
- Enhanced automation;
- Clarified policy instructions; and/or
- Enhanced training specific to the more common WEP/GPO errors.

We are fully committed to improve our administration of these workloads. In 2017, we worked with the Internal Revenue Service (IRS) to explore possibilities for the IRS to receive and share data on non-covered pensions, which we will continue in FY 2018. We also began our automated enhancement efforts, which will continue into FY 2018. This year, we also clarified our policy instructions and produced training for our Operations employees.

We formed a cross-agency work group to:

1. Review all Office of the Inspector General (OIG) and internal studies over the past five years to compile a comprehensive list of identified changes in WEP/GPO implementation;
2. Assess the root causes of improper payments based on these changes; and
3. Develop policy, data, systems, or training solutions in line with each of the root causes of improper payments.

**Table 2.14: Windfall Elimination Provision and Government Pension Offset Corrective Actions**

Description	Target Completion	Status
Policy Clarification	Completed FY 2017	We updated and modified policy and process documentation to focus on those areas of WEP/GPO administration that have been most error prone, such as beneficiaries who are dually-entitled. We made the last policy clarification in May 2017.
Targeted Training	Completed FY 2017	We developed and conducted a series of videos on demand on WEP and GPO that specifically target the error prone areas. We aired the last video series broadcast to a nationwide audience in April 2017.
Pursuit of New Data	FY 2018	We have been in ongoing discussions with the IRS to obtain non-covered pension information. IRS believes it cannot request the pension information we want from the States without Treasury sponsored legislation. We are requesting that IRS review its previous opinion regarding legal authority to provide data to the agency.
Enhanced Automation	FY 2018	We are pursuing a series of systems changes that will automate calculations for non-covered pensions. Our goal is to reduce human error, prompt additional questions of likely non-covered pension recipients to encourage accurate self-reporting, and automate notices to claimants to obtain updated pension information more timely. We proposed 10 automation enhancements and successfully implemented 3 in FY 2017, with the remaining 7 targeted for FY 2018.

**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 23 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 \$7 billion, with an annual cost of approximately \$189 million yielding a positive cost benefit ratio of 37 to 1.

Table 2.15 shows our efforts to pursue additional data exchanges to improve our OASDI and SSI improper payment identification and prevention efforts.

**Table 2.15: Data Exchanges – Corrective Actions**

Description	Target Completion	Status
<p>Establish a data exchange agreement with DHS to obtain information necessary to identify when SSI recipients and OASDI beneficiaries are out of the country. SSI recipients are ineligible for any entire calendar month during which they are not present in the United States. OASDI beneficiaries are not due benefits if they are out of the country for more than six consecutive months.</p>	<p>FY 2018</p>	<p>We conducted a pilot study that focused on the use of the data for the SSI program. We compared travel data in the DHS Arrival and Departure Information System (ADIS) to travel data on SSI records for a random sample of SSI non-citizens who traveled outside of the United States for 30 consecutive days or more. Results of the pilot study showed positive program savings from utilizing the ADIS data. We estimate \$45.4 to \$46.3 million in potential detectable or preventable SSI overpayments if we had access to the data. Since we already have legal authority to share this data with DHS and because of the projected savings, we are drafting a CMA with DHS to obtain citizen and non-citizen travel data. We expect to complete the CMA in FY 2018. However, to fully operationalize the process, we also need to establish and implement business processes and automation to support the data exchange.</p>

**PRISONER INFORMATION**

To diminish improper payments in the prisoner suspension area, we completed two of our three initiatives to help curb improper payments paid to prisoners. First, because of our efforts in FY 2016 to reemphasize the prisoner program suspension and reinstatement requirements to our technicians, we suspended monthly benefits to 44,661 OASDI and 76,148 SSI beneficiaries, an increase of 10 percent over our prior fiscal year prisoner suspension totals. This increase in prisoner suspensions saved our programs approximately \$4.8 million in improper payments. Second, our monitoring process to track and control the return of incorrectly paid incentive payments from overpaid correctional institutions recouped 14 incorrectly paid incentive payments totaling \$7,000 in money credited back to our OASDI and General trust funds. We could not implement our third initiative to capture inmate population files from the largest State correctional institutions. Our reporting agreements with our State correctional institutions required revisions to capture this specific inmate information. We have recently revised our reporting agreements, and we will begin renegotiating these agreements in FY 2018 to request State correctional inmate population reports. Obtaining this inmate data will help us determine if we are receiving complete prisoner information from each of these State correctional reporters.

**IMPROVING THE REPRESENTATIVE PAYEE CAPABILITY DETERMINATION PROCESS**

An internal report found that we need to improve the way we develop and document capability determinations for competent adults. In addition, a National Academy of Medicine study advised that we could improve our capability determination process by providing detailed guidance to third parties who provide information (i.e., lay evidence) about a beneficiary's ability to manage his or her benefits. Using the respective findings of these reports as a guide, we implemented the following plan to improve our capability determination process:

- Consolidated, streamlined, and clarified capability determination instructions to help ensure consistency in the development and documentation of capability determinations;
- Implemented the first release of enhancements to our electronic Representative Payee System to ensure that all capability determinations are properly developed and documented; and

- Developed and delivered mandatory field office training to ensure proper understanding of how to develop and document capability determinations.

## MAJOR CAUSES AND CORRECTIVE ACTIONS FOR 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); and
- Salary overpayment due to processing retroactive timesheet corrections and personnel actions.

Corrective actions include:

- The majority of the incorrect amounts paid in FY 2016 (for vendor and travel payments) were due to a single incident where one invoice was submitted and processed twice. The second submission of the invoice varied slightly from the original, preventing us from more rapidly identifying the invoice as a duplicate. We recovered this overpayment within one week of the incorrect payment. To prevent a similar occurrence, we reviewed our internal procedures, notified the appropriate personnel involved in the improper payment, and determined that existing internal controls are adequate.
- Health benefit debts are a major cause of payroll and benefits improper payments. These debts automatically occur when an employee, who has health benefits coverage, is in a non-pay status for the entire pay period or if there are insufficient funds to make the current pay period deduction. The employee now becomes indebted to the agency because we paid both the employee and agency's share.
- Retroactive timesheet corrections are another major cause of payroll and benefits improper payments. Timesheets sometimes need to be adjusted retroactively due to normal business processes, such as early closeouts (e.g., an employee is paid based on estimated hours of work, but the employee then requests to change leave without pay to paid leave or advanced leave to leave without pay), late approval of overtime or compensatory time requests, and other appropriate reasons for retroactive changes.
- Retroactive personnel actions are another major cause of payroll and benefits improper payments. Personnel actions are sometimes delayed, and actions must be backdated to the appropriate point in time. Retroactive timesheet corrections and personnel actions also sometimes occur due to coding errors. In those cases, additional training is provided for appropriate personnel, and internal controls are reviewed to ensure they are adequate.

For timesheet and personnel action corrections, we recalculate the employee's record for the earliest pay period affected forward for actions that occurred within the last 52 pay periods. A negative result indicates that the employee was overpaid, and the system automatically creates a debt. An action that is past 52 pay periods cannot be processed through the electronic system; therefore, we must enter the debt manually.

To address the major causes of payroll and benefits improper payments, we are working to implement recent updates to OMB Circular No. A-123, which will:

- Broaden our efforts to identify improper payments;
- Train staff on new data querying tools; and
- Develop new baseline metrics.

Please note that for government-wide reporting purposes, we treat our FY 2016 findings as FY 2017 data. We will not have FY 2017 data until January 2018. We will report our findings from the FY 2017 reviews in next year's *Payment Integrity* report.

## REDUCTION TARGETS

Table 3 below presents our accuracy targets for FYs 2017 and 2018 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

**Table 3: OASDI Improper Payments Reduction Outlook  
FY 2017 – FY 2018  
(Dollars in Millions)**

	FY 2017 Target		FY 2018 Target	
	Dollars	Rate	Dollars	Rate
<b>OASDI</b>				
<b>Total Benefit Payments</b>	\$934,599.47		\$989,710.07	
<b>Underpayments</b>	\$1,869.20	≤0.20%	\$1,979.42	≤0.20%
<b>Overpayments</b>	\$1,869.20	≤0.20%	\$1,979.42	≤0.20%

Notes:

1. Total OASDI benefit payments for FYs 2017–2018 are estimates consistent with projections for the Mid-Session Review of the FY 2018 President's Budget.
2. FY 2017 data will not be available until summer 2018; therefore, the rates shown for FY 2017 are targets.
3. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.

Table 3.1 presents our target accuracy goals for FYs 2017 and 2018 for the SSI program.

**Table 3.1: SSI Improper Payments Reduction Outlook  
FY 2017 – FY 2018  
(Dollars in Millions)**

	FY 2017 Target		FY 2018 Target	
	Dollars	Rate	Dollars	Rate
<b>SSI</b>				
<b>Total Federally Administered Payments</b>	\$57,031.52		\$57,977.94	
<b>Underpayments</b>	\$684.38	≤1.20%	\$695.74	≤1.20%
<b>Overpayments</b>	\$3,421.89	≤6.00%	\$3,478.68	≤6.00%

Notes:

1. Total federally administered SSI payments for FYs 2017–2018 are estimates consistent with projections for the Mid-Session Review of the FY 2018 President's Budget, adjusted to be presented on a constant 12 month per year payment basis.
2. FY 2017 data will not be available until summer 2018; therefore, the rates shown for FY 2017 are targets.

## 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 administrative payments. Table 4 shows our results from our payment accuracy reviews for our OASDI and SSI programs and administrative payments.

**Table 4: Overpayment Payment Recaptures with and without  
Recapture 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	
<b>Amount Identified (FY 2017)</b>	\$13,173.15	\$13,098.08	\$4.02	\$0.45	\$26,275.69
<b>Amount Recaptured (FY 2017)</b>	\$2,567.13	\$1,320.98	\$2.16	\$0.41	\$3,890.68
<b>FY 2017 Recapture Rate</b>	19%	10%	54%	93%	15%
<b>FY 2018 Recapture Rate Target</b>	16%	9%	100%	100%	15%
<b>FY 2019 Recapture Rate Target</b>	15%	8%	100%	100%	15%

Overpayments Recaptured outside of Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
<b>Amounts Identified (FY 2017)</b>	\$0.00	\$0.00	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	\$2.40
<b>Amounts Recaptured (FY 2017)</b>	\$0.00	\$0.00	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	\$1.29

### 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 2017. 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 2017 recoveries from debt we had available for recovery in FY 2017, which include debts identified in prior years.
4. We do not consider every overpayment improper according to the definition contained in IPIA.
5. We based the recapture rate target for benefit payments on FY 2017 and prior years' experience and the anticipated growth of our benefit payments in FY 2018 and FY 2019.
6. This table comprises all identified and recovered administrative overpayments from our internal payment recapture audit program for administrative payments. We include these administrative payments under the table heading titled "Other."
7. Totals for Amount Identified (FY 2017) and Amount Recaptured (FY 2017) for administrative payments are from our internal payment recapture audit in FY 2016. Overpayments identified or recaptured in FY 2016 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 *Payment Integrity* 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 2016 but could have occurred in a prior year.
10. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive dollar amounts and percentages from unrounded 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 benefit programs and business processes, conduct our stewardship reviews. These employees review a sample of OASDI and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility and payment amount for the review period. We use these data to identify payment accuracy, as well as our strengths and weaknesses, which allows us to target our resources to take corrective actions that yield the highest return on investment.

In our field offices, processing centers, and State disability determination services (DDS), 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 complete those CDRs and redeterminations that will likely result in the greatest savings. Please see the section of this *Payment Integrity* report titled, Agency Information Systems and Other Infrastructure, Human Capital, for information on savings.

CDRs and SSI redeterminations are our most effective payment recapture program integrity activities because they 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 requires agencies that have programs or activities that are susceptible to significant improper payments to report about their payment recapture audit activities. However, we are unable to segregate our improper payments from our total overpayment aggregate for our OASDI and SSI benefit payments since some overpayments are not improper according to the definition of improper payments in IPIA. Certain overpayments are unavoidable and not improper if statute, regulation, or court order requires these payments (such as continued payments required by due process procedures). Table 4 shows our OASDI and SSI overpayment experience, inclusive of improper payments.

In addition, some overpayments are uncollectable. 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). As shown in Table 4, we determine our payment recapture recovery targets for benefit payments for FY 2018 and FY 2019 based on our FY 2017 experience. Certain uncontrollable factors affect our payment recapture recovery targets. For example, the state of the economy affects the availability of employment. We generally experience greater collections from our external debt collection tools when jobs are abundant and former OASDI beneficiaries and SSI recipients are working.

## ADMINISTRATIVE PAYMENTS

### INTERNAL PAYMENT RECAPTURE AUDIT PROGRAM

As shown in Table 4.1, we segment administrative payments into several categories to analyze and determine the vulnerability of these outlays to improper payments.

**Table 4.1: FY 2016 Administrative Expenses**  
(Dollars in Millions)

<b>Payroll and Benefits</b>	\$6,746
<b>State DDS</b>	\$1,986
<b>American Recovery and Reinvestment Act (ARRA)<sup>1</sup></b>	\$70
<b>Other Administrative Expenses<sup>2</sup></b>	\$3,546
<b>Total Administrative Expenses</b>	\$12,348

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 the categories from Table 4.1 or payment types within a category that 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 2016, the internal recovery audit program included a review of the following payment categories from Table 4.1: Payroll and Benefits and Other Administrative Expenses.

Payroll and benefits account for a majority of our total administrative expenses. For FY 2016, we found approximately \$4.02 million in improper payroll overpayments out of \$6,746 million payroll payments, which yielded a 0.06 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;
- An annual payment accuracy review examining select criteria on a random sample of payments to identify improper payments or weakness in the internal payment recapture audit program; and
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

In FY 2016, we reviewed \$1.60 billion in vendor and travel payments out of \$1.65 billion subject to review. We elected to exclude incomplete cost-type contracts from the scope of the recovery audit since they have payments that are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms of the contract.

We identified total vendor and travel improper overpayments of \$0.445 million, approximately 0.03 percent of total payments subject to review. As of the end of FY 2016, almost \$48,000 remained uncollected, which included amounts identified for recovery in prior years. The remaining receivables 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 usually 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 in payments reviewed (spanning three 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 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 0.6 percent of our total administrative expenses in FY 2016.

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 the 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 Audit Programs**  
(Dollars in Millions)

Amount Recaptured		Disposition of Recaptured Funds						
Program or Activity	Amount Recaptured	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of the Inspector General	Returned to Treasury	Other <sup>1</sup>
<b>Benefit</b>	\$3,888.11	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	\$3,888.11
<b>Administrative</b>	\$2.57	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	\$2.57

Note:

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

## AGING OF OUTSTANDING OVERPAYMENTS

OMB Circular No. A-136 requires agencies to have an aging schedule of the amount of outstanding overpayments identified through their payment recapture audit program (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		FY 2017 Amount Outstanding (0 to 6 Months)	FY 2017 Amount Outstanding (6 Months to 1 Year)	FY 2017 Amount Outstanding (Over 1 Year)	FY 2017 Amount Determined to not be Collectable
OASDI	Overpayment Dollars	\$954.90	\$513.15	\$2,126.58	\$465.89
	Percent of Total Outstanding	9%	5%	21%	5%
SSI	Overpayment Dollars	\$835.69	\$549.49	\$4,034.18	\$312.53
	Percent of Total Outstanding	7%	5%	35%	3%
Payroll and Benefits	Overpayment Dollars	\$1.29	\$0.71	\$1.51	\$0.59
	Percent of Total Outstanding	37%	20%	43%	17%
Vendor and Travel	Overpayment Dollars	\$0.03	\$0.00	\$0.02	\$0.00
	Percent of Total Outstanding	62%	4%	35%	3%
TOTAL	Overpayment Dollars	\$1,791.90	\$1,063.35	\$6,162.28	\$779.02
	Percent of Total Outstanding	8%	5%	28%	4%

Notes:

- 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.
- Totals for payroll and benefits payments and vendor and travel payments are from our internal payment recapture audit in FY 2016.
- Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2017 for OASDI overpayments and SSI overpayments. For payroll and benefits overpayments and vendor and travel overpayments, Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2016.
- There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive dollar amounts and percentages from unrounded source data.
- FY 2017 Amount Determined to not be Collectable is not included in the amount outstanding or total outstanding.

## ADDITIONAL COMMENTS

### AGENCY EFFORTS TO COLLECT OVERPAYMENTS IN THE OASDI, 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 \$3.9 billion in OASDI and SSI benefit overpayments in FY 2017 at an administrative cost of \$0.07 for every dollar collected. We collected \$17.3 billion over a 5-year period (FYs 2013–2017). Since 2004, our cumulative recoveries are \$41.5 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 some 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 1992–2017, our external collection techniques have yielded \$7.071 billion in benefit overpayment recovery. For additional information about our external collection techniques, please refer to the Debt Collection and Management section of this FY 2017 *Agency Financial Report*.

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.

Continued improvement in other aspects of our debt collection program is underway. In FY 2016, we began planning and analysis of the Overpayment Redesign information technology investment. 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. The Overpayment Redesign investment will 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. We plan to develop the NED initiative in a series of releases. Currently, NED captures payments made to representative payees after the death of an OASDI beneficiary, and overpayments to representative payees prior to the death of the OASDI beneficiary for which the payee is responsible.

- In the future, we also will analyze the implementation of 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 for debt collection. Prior to implementing these additional debt recovery tools, we will need to address many factors, such as:
  - The impact on our current collection policies and procedures;
  - 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.

We are also pursuing modernization of our remittance operation. Currently, individuals and third parties repay debt by either mail or telephone. We are developing multiple channels to receive remittances electronically. We plan to complete planning and analysis of our solutions in FY 2018.

## **COLLECTING DEBT**

Our improper payments strategy includes focusing on enhancements to improve our OASDI and SSI debt recovery efforts. In October 2013, we began notifying debtors of our ability to offset eligible State payments to collect their debt. These changes also support debt management compliance and performance as required by OMB. Below are enhancements to improve our OASDI and SSI debt recovery efforts.

- Overpayment Redesign.
  - We began the planning and analysis phase in FY 2016.
  - We currently plan to begin development and implementation starting in FY 2018 through FY 2023.
- Remittance Modernization.
  - We completed planning and analysis on the Social Security Electronic Remittance System to process remittances received in our field offices for program debt and completed development in FY 2017. National rollout began in October 2017, with full implementation achieved in December 2017.
  - We are currently in the planning and analysis phase for other electronic remittance options.
- Treasury Report on Receivables enhancements for OASDI and SSI.
  - We implemented systems enhancements to meet the reporting requirements of the *Digital Accountability and Transparency Act of 2014*.

## **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.

We have procedures for recovering both OASDI and SSI improper payments for overpayments due to death where we paid the beneficiary by paper check. Below are examples of actions we take for OASDI and SSI beneficiaries:

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

- Withholding any underpaid benefits due to 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.

**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 Information Processing System (DIPS) – DIPS is an agency-wide, web-based system used to add, change, or remove death information on the Numident database for deceased individuals. DIPS replaced the Death Alert Control and Update System and the Customer Information Control System.
- The Electronic Death Registration (EDR) process – This State-sponsored initiative automates the paperbound death registration process and allows States to verify the name and Social Security number of a deceased person against our Numident before registering the death. This process results in the transmission of more accurate and timely death information electronically to us, allowing us to stop death benefits for the deceased beneficiary. The EDR process supports the agency’s Strategic Goal, “Strengthen the Integrity of Our Programs.” This includes minimizing improper payments by identifying and preventing erroneous payments after death, reducing erroneous death terminations, and improving our process of initial death reports. Death reports received timely greatly reduce the probability of improper payments to deceased beneficiaries.

## BARRIERS

Our processes and policies and our statutory and regulatory 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 FY 2018 President’s Budget includes several legislative proposals that can help simplify our programs and better identify, prevent, and recover improper payments. We discuss some of these proposals in the following paragraphs. More information on our legislative proposals can be found in our [FY 2018 Budget Overview \(www.socialsecurity.gov/budget/\)](http://www.socialsecurity.gov/budget/).

### INCREASE FROM \$10 TO 10 PERCENT THE MINIMUM AMOUNT WE CAN WITHHOLD FROM MONTHLY OASDI BENEFITS TO RECOVER AN OVERPAYMENT

When a beneficiary receives more OASDI benefits than he or she should have, we can recover this overpayment by reducing the beneficiary’s future monthly benefits. Depending on the beneficiary’s financial circumstances, we may decide to recover less than the full amount of the monthly benefit until the overpayment is repaid in full. However, we are required to recover at least \$10 per month. This proposal would require us to recover at least 10 percent of the monthly OASDI benefit when recovering an overpayment. The SSI program already uses the 10 percent rule to recover overpayments.

### CONDUCT DATA MATCHES WITH PRIVATE COMMERCIAL DATABASES

The FY 2018 President’s Budget includes a proposal that would reduce improper payments by authorizing us to conduct data matches with private commercial databases that maintain data on ownership of real property (i.e., land and buildings), which can be a countable resource for SSI purposes. The proposal would authorize us to use that information to automatically determine an individual’s eligibility for benefits, after proper notification. In addition, we could require a beneficiary’s consent to allow us to access these databases as a condition of benefit receipt. All current due process and appeal rights would be preserved.

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## ACCOUNTABILITY

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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.

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## AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE

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### INTERNAL CONTROLS

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 the *Federal Managers' Financial Integrity Act* (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 resolve the issues.

We established the Improper Payments Oversight Board (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; and
- 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 2017 *Agency Financial Report*.

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 our Acting Commissioner's annual statement to the President and Congress that discusses 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 of our review program, and our financial statement audit, in the *Systems and Controls* section of this FY 2017 *Agency Financial*

*Report.* In addition, we include the auditors' report in the *Auditors' Report* section of this FY 2017 *Agency Financial Report*.

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

## HUMAN CAPITAL

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.

Our stewardship responsibility includes conducting non-medical SSI redeterminations and full medical CDRs. These reviews save significant program dollars by avoiding improper payments. In FY 2016 and FY 2017, 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 2016, we completed over 850,000 full medical CDRs and approximately 2.53 million SSI redeterminations. In addition, we completed approximately 285,000 work CDRs in FY 2016. In FY 2017, we completed approximately 870,000 full medical CDRs and approximately 2.59 million SSI redeterminations. In addition, we completed approximately 313,500 work CDRs in FY 2017.

The FY 2018 President's Budget will help enable us to eliminate the backlog of CDRs by the end of FY 2018 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 2014 and earlier, establish that we achieve significant program savings with this workload. The Budget proposes \$1,735 million, which includes the 2018 cap adjustment amount of \$1,462 million, as authorized in the *Bipartisan Budget Act of 2015*. The *Bipartisan Budget Act of 2015* authorized a net increase in new cap adjustment levels through 2021.

## 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 are focused 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 August 2013, we implemented the Public Facing Integrity Review (PFIR) 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 the public. In November 2015, we released an update of the PFIR system that included measures intended to help secure our newest online service, Internet Social Security Number Replacement Card application. This enhancement to the PFIR system added new fraud prevention and detection processes specific to enumeration, in addition to established processes that safeguard [my Social Security](#) online accounts and direct deposit transactions.

We continue to collaborate with Treasury to identify and implement fraud detection activities. In April 2016, we launched a Direct Deposit Fraud Prevention (DDFP) enhancement, which assists in detecting and preventing unauthorized redirection of benefit payments. With this enhancement, an alert appears that allows the review of the record to determine whether to accept or cancel a pending direct deposit change. In May 2016, we executed an additional enhancement to DDFP to allow us to add a suspense code to a record to prevent the unauthorized redirection of benefits. We continue to take advantage of a fraud indicator flag to assist when beneficiaries indicate that they did not receive their direct deposit payment. The fraud indicator provides supporting evidence to assist with the recovery of misdirected payments.

The demands for our services continue to grow at a rate that will soon outpace our resources. To support the changing needs of our employees and the public we serve, we launched the IT Investment Process - a more effective and efficient way of managing our IT Investments. We established an IT Investment Review Board, with senior executive level membership that meets regularly to evaluate IT proposals to ensure they meet the priorities of the agency.

## OTHER INFRASTRUCTURE

As required by law, we conduct pre-effectuation reviews on at least 50 percent of adult initial and reconsideration disability determination allowances made by the State DDS offices. We use a predictive statistical model to identify error-prone disability determinations, and we return deficient cases to the State DDS offices for corrective action. We estimate that the prevention of incorrect allowances and continuances of FY 2015 cases will result in lifetime savings (after all appeals) of:

- \$433 million in OASDI benefit payments;
- \$60 million in SSI Federal payments;
- \$228 million in Medicare benefits; and
- \$2 million in the Federal share of Medicaid payments.

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## SAMPLING AND ESTIMATION

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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 2016. For government-wide reporting purposes, we treat our FY 2016 findings as FY 2017 data. We will not have FY 2017 data until summer 2018. We will report our findings from the FY 2017 stewardship reviews in next year's *Payment Integrity* report.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refer 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 paid. 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.