

Other Statutory Information

Anti-Fraud Activities

SSA is committed to improving financial management by preventing fraudulent and improper payments (see Agency Challenges section for more information). Section 206 (g) of the Social Security Independence and Program Improvements Act, Public Law 103-296 requires SSA to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the Agency:

Disability Quality Assurance Reviews

SSA performs quality assurance reviews to measure the level of decisional accuracy for the State Disability Determination Services (DDSs) against standards mandated by regulations. These reviews are conducted prior to effectuation of the DDS determinations and cover initial claims, reconsiderations and determinations of continuing eligibility. The following table shows that the State DDSs have consistently made the correct decision to allow benefits.

| Quality Assurance Review | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| % of accurate decisions to allow or continue benefits by State DDSs | 96.8% | 96.3% | 96.2% | 96.4% | 96.3% |
| No. of cases reviewed | 39,515 | 39,188 | 39,066 | 40,323 | 37,101 |
| No. of cases returned to DDS due to error or inadequate documentation | 1,281 | 1,455 | 1,499 | 1,454 | 1,389 |

SSA also performs preeffectuation reviews of favorable DDS initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. SSA also reviews a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The table on the following page shows that approximately 96 percent of the decisions made on preeffectuation reviews are accurate.

| Preeffectuation Reviews | | | | | |
|---|---------|---------|---------|---------|---------|
| | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| % of State DDS decisions not returned to DDS due to error or inadequate documentation | 96.8% | 96.3% | 96.2% | 96.3% | 95.9% |
| No. of cases reviewed | 298,466 | 310,683 | 318,505 | 334,774 | 328,183 |
| No. of cases returned to DDS due to error or inadequate documentation | 9,438 | 11,186 | 12,090 | 12,498 | 13,513 |

Continuing Disability Reviews (CDRs)

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews through which SSA determines whether beneficiaries continue to be entitled to benefits because of their medical conditions. Once an individual becomes entitled to Social Security or SSI benefits, any changes in their circumstances may affect the amount or continuation of payment and thus must be reflected in SSA's records. The performance accuracy of these CDRs is displayed below.

| CDR Performance Accuracy | | | | | |
|--------------------------|---------|---------|---------|---------|---------|
| | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Overall Average | 96.1% | 95.2% | 94.2% | 94.7% | 94.9% |
| Continuances | 96.4% | 95.5% | 94.4% | 95.0% | 95.3% |
| Cessations | 93.8% | 93.5% | 93.5% | 93.0% | 93.3% |

OASI and SSI Quality Assurance Reviews

One of SSA's four Government Performance and Results Act (GPRA) strategic goals is 'to ensure superior stewardship of Social Security programs and resources'. One of the ways in which SSA ensures this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the Performance Section of this report on pages 87-88, 89-90, and 110.

SSI Redeterminations

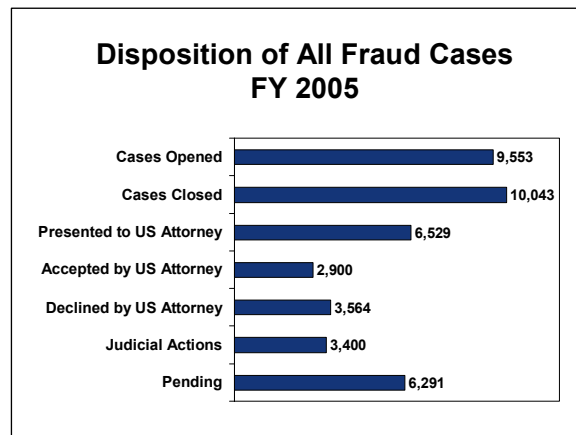
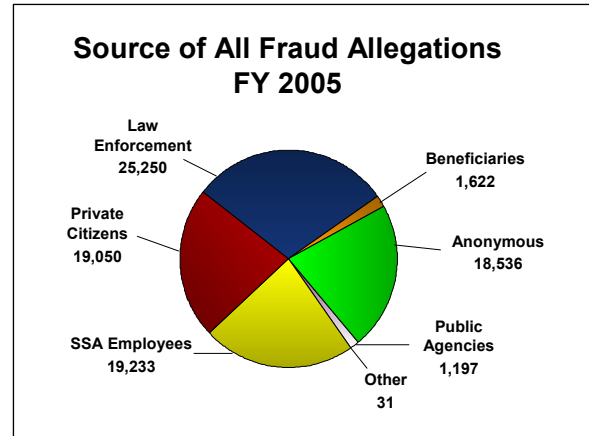
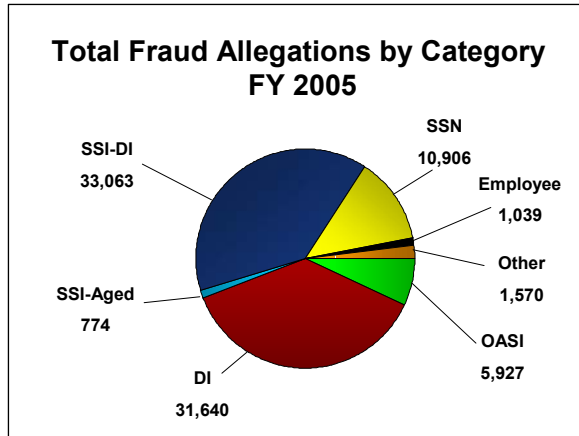
SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. SSA set a goal for the number of SSI redeterminations to be processed in FY 2005. Detailed discussion on SSI redetermination performance can be found in the Performance Section of this report on page 85.

Payment Safeguards Activities

Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, SSA invested nearly \$1.2 billion in processing over 8.8 million alerts in FY 2004. Current estimates indicate that these payment safeguard activities provided benefits to the trust funds of more than \$8.2 billion in overpayments detected and/or prevented. The FY 2005 results of these payment safeguard activities will be available in 2006.

OIG's Anti-Fraud Activities

In FY 2005, as part of its fraud detection and prevention program for safeguarding the Agency's assets, SSA worked with our OIG, the U.S. Attorney and other State and local agencies on cases involving fraud and abuse. The charts below summarize OIG's involvement in fraud activities throughout the FY.



Biennial Review of User Fee Charges

Summary of Fees

User fee revenues of \$285 and \$305 million in FY 2004 and FY 2005, respectively, accounted for less than .1 percent of SSA's total financing sources. Over 89 percent of user fee revenues are derived from agreements with 22 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2005, SSA charged a fee of \$9.06 per payment for the cost of administering State supplemental SSI payments. This fee will increase to \$9.29 for FY 2006. The user fee will be adjusted annually based on the Consumer Price Index unless the Commissioner of Social Security determines a different rate is appropriate for the States. SSA charges full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The Chief Financial Officers Act of 1990 requires biennial reviews by Federal Agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law and periodically adjust these fees to reflect current costs or market value. SSA's review of fees during FY 2004 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. SSA is planning to perform a review of these fees during FY 2006.

Debt Management

During FY 2005, SSA continued its comprehensive debt collection program. SSA employs its own internal debt collection methods, as well as other authorized, aggressive methods which in some cases make use of external entities. SSA's internal debt collection methods include benefit withholding to collect overpayments from monthly benefits when the person is still on the rolls. In FY 2005, SSA collected \$2.0 billion in overpayments by this method. When the person is no longer on the rolls, SSA uses its own billing and follow-up system to collect overpayments. Using that system, SSA sends a series of progressively stronger notices requesting repayment and makes telephone calls to negotiate repayment. The Agency collects several hundred million dollars a year by this method. In addition, SSA used the following aggressive debt collection tools authorized for the Agency:

- Tax Refund Offset which is the collection of a delinquent debt from a Federal tax refund.
- Administrative Offset which is the collection of a delinquent debt from a Federal payment other than a tax refund.
- Mandatory Cross-Program Recovery which is the collection of a former SSI recipient's debt from any Old-Age, Survivors and Disability Insurance (OASDI) benefits due that person.
- Credit Bureau Reporting which acts as an incentive for individuals to repay their delinquent debts, or face the consequences of a bad credit report.
- Administrative Wage Garnishment which is the collection of delinquent debts from the wages of overpaid individuals.

These tools continue to demonstrate their significance in the collection of delinquent program debt. In FY 2005, SSA surpassed cumulative collections of \$1 billion as a result of the use of tax refund offset and administrative offset since 1992. In FY 2005 alone, SSA collected over \$110 million as a result of the Treasury Offset Program. Since implementation of mandatory cross program recovery in February 2002, SSA has collected over \$207 million by that method.

In FY 2005, SSA also implemented administrative wage garnishment (AWG), or the collection of delinquent OASDI and SSI debts from wages of people working in the private sector. This collection technique promises to be a significant addition to SSA's debt collection program. We estimate \$105 million in debt collections as a result of the use of AWG.

Future plans include an expansion of the AWG program as well as implementation of Federal Salary Offset (FSO), Non-Entitled Debtors, Interest Charging, and private collection agencies, as explained below:

- AWG Expansion will include many more delinquent debtors.
- Federal Salary Offset, which will collect overpayments from the salaries of Federal employees who owe program debts, and
- Non-Entitled Debtors, which will collect overpayments made to representative payees after the death of the beneficiary.

In addition, SSA continues to use the system developed in FY 2002 to analyze and monitor its debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. SSA recognizes that these performance indicators can be improved by focusing overpayment recovery efforts on those overpayments most likely to result in collections. SSA has underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data includes all the program debt owed to SSA and is presented on a combined basis without intra-Agency eliminations. Collection data shown in the GPRA performance report only includes legally defined overpayments in which beneficiaries have certain due process rights.

| SSA Debt Management Activities | | | | | |
|--|----------------|--------------------|----------------|----------------|----------------|
| | FY 2001 | FY 2002 | FY 2003 | FY 2004 | FY 2005 |
| Total debt outstanding end of FY (millions) | \$11,437.1 | \$12,531.0 | \$13,418.4 | \$12,260.2 | \$13,154.8 |
| % of outstanding debt | | | | | |
| - Delinquent | 9.3% | 16.5% | 18.9% | 20.3% | 21.8% |
| - Estimated to be uncollectible | 25.3% | 18.9% | 21.1% | 24.6% | 24.2% |
| New debt as a % of benefit outlays | 1.7% | 0.9% | 0.8% | 0.8% | 0.8% |
| % of debt collected | 19.9% | 18.5% | 17.2% | 18.3% | 18.5% |
| Cost to collect \$1 | \$0.11 | \$0.11 | \$0.10 | \$0.09 | \$0.09 |
| % change in collections from prior FY | (4.4%) | 1.5% | (0.3%) | (2.5%) | 9.5% |
| % change in delinquencies from prior FY | (3.5%) | 94.4% ¹ | 22.4% | (2.1%) | 15.3% |
| Collections & write-offs as a % of Total Debt | 21.5% | 21.0% | 19.4% | 18.0% | 19.3% |
| Collections as a % of clearances | 70.8% | 70.8% | 71.5% | 71.6% | 74.3% |
| Total write-offs of debt (in millions) | \$941.3 | \$954.0 | \$918.7 | \$892.7 | \$841.8 |
| Average number of months to clear receivables: | | | | | |
| - OASI | 14 | 14 | 18 | 22 | 20 |
| - DI | 32 | 34 | 33 | 38 | 30 |
| - SSI | 4 | 26 | 52 | 47 | 42 |

1. In September 2001, SSA implemented a new process FY 2002 that identifies, ages, and reports delinquent debt on an individual debt basis in the SSI program. This new process increased the amount of delinquent SSI debt reported from about \$61 million at the close of FY 2001 to about \$1.1 billion at the close of FY 2002.

| FY 2005 Quarterly Debt Management Activities (In Millions) | | | | |
|---|-------------------------------|-------------------------------|-------------------------------|-------------------------------|
| | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter |
| Total receivables (cumulative) | \$13,014.7 | \$12,809.7 | 12,934.2 | \$13,154.8 |
| Total collections (cumulative) | (590.4) | (1,145.9) | (1,765.5) | (2,437.3) |
| Total write-offs (cumulative) | (182.1) | (346.4) | (594.3) | (841.8) |
| TOP collections (cumulative) | (1.7) | (45.4) | (70.8) | (73.7) |
| Aging schedule of delinquent debts: | | | | |
| - 180 days or less | 839.0 | 764.0 | 750.1 | 844.8 |
| - 181 days to 10 years | 1,865.2 | 1,864.5 | 1,890.6 | 1,943.3 |
| - Over 10 years | <u>39.8</u> | <u>40.7</u> | <u>41.8</u> | <u>44.1</u> |
| - Total delinquent debt | \$2,744.0 | \$2,669.2 | \$2,682.5 | \$2,832.2 |

