



Appendix

Improper Payments Information Act of 2002

Detailed Report

Background

The Social Security Administration (SSA) reports improper payments findings (both overpayments and underpayments) from its stewardship reviews of the nonmedical aspects of old age and survivors' insurance (OASI), disability insurance (DI), and supplemental security insurance (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the Improper Payments Act of 2002, SSA reports as improper those payments that should not have been made or were made in an incorrect amount. The OMB guidance provides that payments resulting from legal or policy requirements are unavoidable and are not to be considered as improper. Stewardship review findings provide the basis for reports to Congress and other monitoring authorities. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the Government Performance and Results Act of 1993.

Statistical Sampling

OASDI payment outlay rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on SSA rolls. In addition to the combined payment outlay rates for OASDI, separate rates are calculated for OASI and DI. A statistically valid national sample is selected monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the recipient or representative payee is interviewed, collateral contacts are made, as needed, and all nonmedical factors of eligibility are redeveloped as of the current sample month. Findings are input to a national database for analysis and report preparation. Similarly, the SSI payment outlay rates are determined by an annual review of a statistically valid national sample of the SSI beneficiary rolls, selected monthly. Separate rates are determined for the accuracy of payments in terms of overpayment and underpayment dollars.

Risk-Susceptible Program

The SSI program has been identified as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and \$10 million. (See table 1.) SSI's estimated improper payments (overpayments and underpayments) for FY 2003 total 7.3 percent or \$2,639 million of \$35,706 million in program outlays. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA has extended the improper payments reporting requirements beyond those programs and activities listed in the former Section 57 of Office of Management and Budget (OMB) Circular A-11.

Since the OMB guidance on IPIA requires the evaluation of all payment outlays; e.g., beyond the OASI, DI and SSI programs that SSA administers, for the first time SSA performed a review of the Agency's administrative payments; e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments.

Improper Payment Rates and Target Goals

The improper payment rates for the OASI, DI and SSI programs for fiscal years (FYs) FY 2001, 2002 and 2003 are presented in Table 1. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid. Target goals for FYs 2004, 2005, 2006 and 2007 for the OASDI and SSI programs are presented in Table 2. Estimated improper payment rates for FY 2004 will be available in June 2005. In the SSI program, SSA has established a 5-year goal to achieve

96 percent overpayment accuracy by FY 2008. In the OASDI program, SSA's goal is to maintain overpayment accuracy at 99.8 percent for both overpayments and underpayments.

Table 1: Improper Payments Experience FY 2001 – FY 2003
(\$ in millions)

	FY 2001		FY 2002		FY 2003	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Payments	\$367,700	100%	\$384,000	100%	\$396,700	100%
Underpayments	\$797	0.22%	\$175	0.05%	\$203	0.05%
Overpayments	\$79	0.02%	\$425	0.11%	\$173	0.04%
Total OASI Improper Payments	\$876	0.24%	\$600	0.16%	\$376	0.09%
DI						
Total Payments	\$58,200	100%	\$64,200	100%	\$69,800	100%
Underpayments	\$211	0.36%	\$175	0.27%	\$280	0.40%
Overpayments	\$614	1.06%	\$169	0.26%	\$1,051	1.51%
Total DI Improper Payments	\$825	1.42%	\$344	0.53%	\$1,331	1.91%
OASDI						
Total Payments	\$425,800	100%	\$448,200	100%	\$466,500	100%
Underpayments	\$1,008	0.24%	\$350	0.08%	\$483	0.10%
Overpayments	\$693	0.16%	\$594	0.13%	\$1,224	0.24%
Total OASDI Improper Payments	\$1,701	0.40%	\$944	0.21%	\$1,707	0.34%
SSI						
Total Payments	\$32,715	100%	\$34,532	100%	\$35,706	100%
Underpayments	\$386	1.2%	\$469	1.4%	\$444	1.2%
Overpayments	\$2,204	6.7%	\$2,272	6.6%	\$2,195	6.1%
Total SSI Improper Payments	\$2,590	7.9%	\$2,741	8.0%	\$2,639	7.3%

Notes:

1. Total Payments represent estimated program outlays, while conducting the payment accuracy reviews, and may vary from actual outlays.
2. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2001, $\pm 0.37\%$ for underpayments and $\pm 0.30\%$ for overpayments; for FY 2002, $+0.04\%$ and -0.03% for underpayments and $+0.10\%$ and -0.28% for overpayments; for FY 2003, $+0.04\%$ and -0.02% for underpayments and $+0.04\%$ and -0.12% for overpayments.
3. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2001, $\pm 0.13\%$ for underpayments and $\pm 0.33\%$ for overpayments; for FY 2002, $+0.26\%$ and -0.29% for underpayments and $+0.25\%$ and -0.37% for overpayments; for FY 2003, $+0.39\%$ and -0.51% for underpayments and $+1.50\%$ and -2.39% for overpayments.
4. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2001, $\pm 0.25\%$ for underpayments and $\pm 1.06\%$ for overpayments; for FY 2002, $\pm 0.3\%$ for underpayments and $\pm 1.1\%$ for overpayments; for FY 2003, $\pm 0.3\%$ for underpayments and $\pm 1.0\%$ for overpayments.

Table 2: Improper Payments Reduction Outlook FY 2004 – FY 2007
(\$ in millions)

	2004 target		2005 target		2006 target		2007 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI								
Total Payments	\$488,000	100%	\$509,000	100%	\$533,000	100%	\$559,000	100%
Underpayments	\$980	0.2%	\$1,020	0.2%	\$1,070	0.2%	\$1,120	0.2%
Overpayments	\$980	0.2%	\$1,020	0.2%	\$1,070	0.2%	\$1,120	0.2%
Total Improper Payments	\$1,960	0.4%	\$2,040	0.4%	\$2,140	0.4%	\$2,240	0.4%
SSI								
Total Payments	\$39,000	100%	\$40,000	100%	\$41,000	100%	\$37,000	100%
Underpayments	\$468	1.2%	\$480	1.2%	\$492	1.2%	\$444	1.2%
Overpayments	\$2,184	5.6%	\$2,040	5.1%	\$1,886	4.6%	\$1,591	4.3%
Total Improper Payments	\$2,652	6.8%	\$2,520	6.3%	\$2,378	5.8%	\$2,035	5.5%

Notes:

1. SSA does not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2004 data will not be available until June 2005; therefore, the rates shown are targets (goals).
3. The FYs 2004 – 2007 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2005 Budget.
4. The estimated total SSI payments shown for FY 2007 is lower than the estimated payments for FY 2006 and earlier years because there will only be 11 months of payments actually issued in FY 2007 rather than the normal 12 months of payments.

Improper Payments in the OASI program

To better track the causes of improper payments in the OASI program and to help pinpoint areas for corrective action, improper payment sample data are combined for several years of quality assurance reviews. Over the last 5 years (FYs 1999-2003), a total of over \$1.8 trillion was paid to OASI beneficiaries, and over 99.82 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented less than 0.18 percent of the total dollars paid or about \$3.2 billion.

Major Causes of OASI Improper Payments

Major causes of improper payments in the OASI program over this 5-year period are listed below (followed by a detailed description under the Corrective Action section) and account for over 60 percent of the improper overpayments identified.

- Annual Earnings Test (AET)
- Computations
- Relationship/Dependency (e.g., unreported marriage, not having child-in-care, and students not in full-time school attendance)
- Wages/Self-Employment Income (SEI)

The major causes of improper underpayments in the OASI program have been:

- Computations
- Wages/SEI

While the improper payment rate in the OASI program is very low, SSA's annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. Accordingly, SSA seeks continuous improvement in its processes to minimize improper payments.

Corrective Actions

Beginning in FY 2000, the AET no longer applied to beneficiaries who are at the full retirement age or older. Annual earnings test improvements that reduce improper payments include:

- The reduction in the age at which the annual earnings test no longer applies (from age 70) eliminates the possibility of annual earnings test error for beneficiaries who have reached the full retirement age.
- Establishing an earnings estimate for the current year based on prior earnings when no estimate is given should substantially reduce overpayments.
- Providing employers with a pamphlet about special wage payments will improve their understanding and thereby reduce incorrect withholdings due to failure to obtain special payment information.

Over the last several years, SSA has undertaken a series of initiatives to correct computation errors in benefit payments that have accumulated over many years. The corrections affected more than one million beneficiaries and \$4 billion in past and future benefits. These initiatives resulted in SSA identifying and processing payment increases for: (1) beneficiaries who had not received benefit increases that were due, based on additional earnings after entitlement, yet these earnings were used for deductions (benefit losses) under the AET; (2) other beneficiaries who did not receive benefit increases that should have resulted from additional covered earnings posted to their earnings records; and (3) beneficiaries who were eligible for a different type of benefit that was higher than the benefit they were receiving, but were not converted to this higher benefit

In the relationship/dependency area, SSA has redesigned its student eligibility process. Starting in March 2001 for students born 6/2/83 or later, SSA now verifies a student's school attendance information by obtaining a school official's certification before awarding benefits. The student must leave a reporting form with the school, and then SSA requests the school, as well as the student, to advise SSA of changes in the student's school attendance that could affect the student's entitlement to benefits.

Wages or self-employment errors result when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. SSA added language to the improved Social Security Statement to remind the public to inform SSA of incorrect earnings postings. Beginning in FY 2000, all workers age 25 or over began receiving their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits. SSA has also improved earnings record accuracy through increases in electronic filings that reduce the number of items requiring later correction. These improvements enabled SSA to receive almost 138 million W-2s electronically for tax year 2003 (58 percent of all W-2s filed). By 2004, SSA expects to receive over 55 percent of all W-2s electronically. Earnings that remain in suspense after the annual posting cycle are wage or self-employment earnings that are not matched to an earnings record after all routine matching operations are complete. SSA is working to develop highly automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service.
- Search the suspense file for missing earnings.
- Match and move items from suspense to the beneficiaries earnings record.
- Pay benefit increases.

SSA has initiated several processes to re-examine the suspense file to electronically identify and post to the correct earnings records millions of dollars of earnings. SSA also expects this re-examination process will produce information that will help the Agency to better manage the suspense file. SSA has established a goal to find the correct earnings record and post 30 million suspense items for years 2000 and earlier before 2005.

Improper Payments in the DI program

Over the last 5 years (FYs 1999-2003), \$296.9 billion was paid to DI beneficiaries and over 98.76 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented about 1.2 percent of the total dollars paid or almost \$3.7 billion.

Major Causes of DI Improper Payments

Major causes of improper overpayments in the DI program over this 5-year period are listed below (followed by a detailed description under the Corrective Action section) and one error category, Substantial Gainful Activity (SGA) accounted for over 80 percent of the improper overpayments identified.

- SGA
- Unreported Death
- Workers' Compensation (WC)

The major causes of improper underpayments in the DI program have been:

- WC
- Wages/SEI
- Computations

Errors treated to SGA accounted for almost 95 percent of all DI overpayment deficiency dollars in FY 2003 and for over 75 percent of all DI overpayments for the last 5 FYs (1999-2003). For FYs 1998-2002, SGA deficiencies accounted for about 45 percent of DI overpayments; however, in FY 2002, SGA accounted for only \$13.3 million in DI overpayments or only about 8 percent of the DI overpayments for that year. In analyzing the data on the causes of improper payments in the DI and OASI programs, it is important to recognize that given the huge dollar amounts of payments issued each year, the historically high accuracy rates of the payment issued and the size of the quality assurance samples, infrequently occurring error type cases can have a large impact on specific error categories from year-to-year. As a result, wide fluctuations often occur from year-to-year in the projected dollar amount of improper payments due to a particular category of error and oftentimes these fluctuations are not statistically significant. For example, as indicated above, SGA accounted for only \$13.3 million in overpayments for FY 2002 but rose to almost \$1 billion in FY 2003. Yet, this apparent marked rise in SGA overpayment dollars in FY 2003 (caused primarily by only two error cases involving large projected overpayment dollars) is not statistically significant. Therefore, a focused analysis of existing outstanding DI overpayments is being conducted to identify how much is attributable to SGA versus those resulting from benefit continuation in disability cessation cases, which are the two main causes of DI overpayments.

Corrective Actions

Most SGA errors occurred because the beneficiaries failed to notify SSA that they had returned to work and were earning an amount above the SGA level, or SSA failed, in some cases, to act in a timely manner on those reports it did receive. A software tool is available to every SSA field office where reports of return to work by disabled beneficiaries can be monitored automatically to ensure proper handling of SGA in these cases. SSA currently has the authority to impose civil monetary penalties (CMP) against individuals who make false statements to SSA. However, in order to pursue a case under this provision, there must be an affirmative false statement made by the subject, preferably in writing. This means that cases where the person's failure to inform SSA of a reportable event, such as return to work, cannot currently be pursued under the CMP provision.

More timely and accurate death data would enable SSA to more effectively administer programs and increase prevention of incorrect payments. SSA is working with State governments to improve the current paper-based process. The most efficient manner to improve timeliness of State data is by using Electronic Death Reporting (EDR); a web-based automation of the death registration process. EDR electronically links the participants in death registration, providing more timely and accurate data. SSA's goal is to receive verified death data within 24 hours of receipt in the State repository and within 5 days of death. EDR would also improve the accuracy of the death master file that we share with other Federal agencies. As of September 30, 2004, 4 States are providing EDR "online" to SSA. SSA has identified funds for this initiative and is proceeding with contract activities with 6 additional States.

SSA is giving high priority to correcting workers' compensation (WC) errors. Some people who receive Social Security disability benefits also receive Federal or State workers' compensation payments. When a person is eligible to receive both types of payments, the law imposes a limit on the total amount the person can receive each month. When that occurs, SSA withholds a portion of the person's Social Security disability payments. SSA identified disability insurance beneficiaries whose workers' compensation payments changed. Some of these people had been paid incorrect amounts of Social Security disability benefits while others had been underpaid since their WC had stopped and their SSA benefit amount had not been increased accordingly. Errors related to improper imposition of WC offset provisions continued to be the leading cause of underpayment errors in FY 2003. WC errors also were the leading cause of underpayments errors for FYs 1999 through 2003. SSA's Operations staff has already reworked more than 112,000 cases where the beneficiary was in WC offset at the time the processing problems with WC were identified. In FY 2003, the cleanup effort was expanded to include reworking more than 200,000 WC cases where WC offset was removed to ensure correct handling of these cases. In addition, the redesign of the Title II system has provided staff with automated tools to assist in the cleanup efforts and the recent (June 2004) implementation of new software contains additional automated aids for processing WC cases.

SSA has also improved its process for ensuring SSI recipients file for benefits in the OASDI program. One of the conditions for SSI eligibility is that individuals file for any other benefits that they may be eligible to receive. SSA has identified nearly a half-million SSI disability recipients, current and former, who are potentially eligible for OASDI payments after earning sufficient work credits to qualify for the Disability Insurance program while receiving SI benefits. To keep this from happening in the future, we have rewritten computer programs and retrained technical employees to identify eligibility as it occurs.

Improper Payments in the SSI program

Over the past 5-years (FYs 1999-2003) about \$164 billion was paid to SSI recipients and about 92.3 percent of these dollars were paid accurately. Improper payments (overpayments and underpayments) over this 5-year span represented about 7.7 percent of the dollars paid or almost \$12.6 billion.

Major Causes of SSI Improper Payments

For FY 2003, the major causes of overpayments in the SSI program (followed by a detailed description under the Corrective Action section) were:

- Wages
- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)

The major causes of underpayments in the SSI program for FY 2003 (followed by a detailed description under the Corrective Action section) were:

- Wages
- In-kind Support and Maintenance
- Living Arrangements

Corrective Actions

For the last 10 years, wage errors have accounted for about one-fourth of the total improper overpayment dollars. Historically, accurate projections of wage income for a large number of SSI recipients have been problematic because the amount of the wages fluctuates from month to month. Fluctuating wage deficiencies, along with wage deficiencies attributed to “deeming,” which occur when a parent or a spouse of an eligible individual (a “deemor”) has wages that are either unknown to SSA or incorrect on the SSI payment record, accounted for 28 percent and 36 percent, respectively, of SSI overpayments for FY 2003. From another perspective, the recipient's or representative payee's failure to report a payment affecting change accounted for about 90 percent of all wage deficiencies for FY 2003.

Effective January 2001, SSA began using online queries to access the Office of Child Support Enforcement's (OCSE) quarterly wage data and "new hires" OCSE file as tools to assist in detecting improper payments due to wages. But even these data are at least 4 months old when accessed. In an effort to learn more quickly about unreported work, SSA is also exploring the usefulness of a quarterly match with the “new hires” file from OCSE.

In another effort to achieve more timely and accurate reporting of wages, SSA has completed a test to determine the feasibility of implementing large scale monthly wage reporting using touch-tone and voice-recognition telephone technology for the SSI program. Specifically, SSA has tested whether SSI recipients (or their representatives, parents or spouses, where deemed wages affect benefit payments) would report wages, monthly, using this new technique. The key issues will be the timeliness and accuracy of the reports and the willingness of the participants to consistently report over an extended period. The results of this test will soon be available for the Agency to decide on whether to proceed with implementing wage reporting using touch-tone and voice recognition telephone technology. Timely and accurate reporting on this issue offers the opportunity to prevent substantial amounts of SSI wage overpayments, which accounted for over \$480 million in overpayment deficiencies in FY 2003.

For the last 5 years, financial accounts, along with wages, have represented the two leading causes of preventable SSI overpayments. For FY 2003, financial account overpayment deficiencies accounted for almost 19 percent of all overpayment deficiencies. These errors are usually the result of the recipient's financial account, either singularly or in combination with other resources, causing the resource limit to be exceeded. When this occurs, the recipient may become ineligible for SSI. For FY 2003, the recipients' failure to advise SSA that their resources were over the resource limit is responsible for over 94 percent of the deficiency dollars in this category. The Foster Care Independence Act of 1999 gives the Commissioner the authority to require SSI applicants and recipients to provide authorization for SSA to obtain any and all financial records from any and all financial institutions. Refusal to provide, or revocation of, an authorization may result in ineligibility for SSI. In FY 2004, SSA promulgated final regulations that allow us to query financial institutions electronically and is currently conducting a proof of concept to evaluate establishing an interface for matching SSI recipient records with financial institution records to reduce the incidence of this deficiency which accounted for \$453 million in overpayment deficiencies in FY 2003.

For FY 2003, 58 percent of all underpayment deficiencies were caused by recipient failure to report: 1) a decrease in wages; 2) a change in-kind support and maintenance (ISM) due, most often, to a change in the household composition in the recipient's contribution; and 3) a living arrangements (LA) change where the recipient began “living in their own household.” .

Almost 26 percent of all FY 2003 underpayments were due to wages (which were previously discussed, above, for overpayments). Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

ISM deficiencies accounted for over 17 percent of all underpayment deficiencies for FY 2003. The major factor accounting for these deficiencies is a change in the recipient's contribution to household expenses, which are mostly due to a change in the household composition that was not reported to SSA.

LA deficiencies accounted for over 15 percent of all underpayment deficiencies for FY 2003. Most LA deficiencies were due to the recipient not reporting that their living arrangement has changed to one where they are living in their own household. This is a complex area where recipient understanding of reporting requirements is very difficult to

address. For this reason, a portion of the annual redetermination workload is targeted to addressing improper underpayments due to living arrangement changes.

The redetermination process is one of the most powerful tools available to SSA for preventing and detecting improper SSI payments. To detect incorrect payments, SSA regularly reviews cases to ensure that the nondisability factors of eligibility continue to be met and payment amounts are correct. The selection process is based on the likelihood that a case will be in error. Since 1997, SSA has initiated several actions that increased estimated overpayments found or prevented because of the "High Error Profile" (HEP) redeterminations by increasing the volume of HEPs and the effectiveness of the profiling system. The total overpayments collected or prevented because of the FY 2003 redetermination and limited-issue cases was almost \$2.7 billion, with an additional \$1.53 billion in underpayments paid or prevented. This compares to the \$2.3 billion in total overpayments collected or prevented and the \$1.6 billion in underpayments paid or prevented as a result of the FY 2002 redetermination and limited-issue cases.

Medical Aspects of the DI and SSI programs

The medical aspects of the DI and SSI programs are administered through State agencies at the initial claim, reconsideration and continuing disability review stages of the disability process. SSA has established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The actual allowance and denial accuracy rates for FYs 2002 and 2003 are presented in Table 6. These rates are determined by SSA's quality assurance review of initial claims. In compliance with Section 221(a) of the Social Security Act, SSA reviews samples from each State to determine whether the DDS is in compliance with Federal policy and procedural requirements. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected.

Starting in FY 2003, SSA established a combined allowance and denial goal for net accuracy. The goal for FYs 2003 and 2004 is 97 percent. FY 2004 data will be available in January 2005.

Table 3: DDS Initial Claim Net Accuracy		
Initial Claim Net Accuracy	FY 2002	FY 2003
Allowance	98.5%	98.3%
Denial	95.1%	94.7%
Combined	96.4%	96.1%

The Social Security Act also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations (PER). To the extent feasible, the selection is made from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. All sampled determinations are reviewed prior to effectuation and deficient cases are returned and corrected. For FY 2003, the Actuary has produced estimates that PER saved the trust funds \$502 million in lifetime DI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 12:1.

SSA's budget includes a proposal to extend PER reviews of favorable adult disability decisions to the SSI program. This proposal supports the President's management reform to reduce improper payments, improves the accuracy and integrity of the SSI and Medicaid programs, and applies consistency to the DI and SSI programs. We anticipate significant program savings from this initiative.

Improper Payments for Administrative Outlays

An evaluation was conducted of SSA's FY 2003 administrative payments to determine if they were susceptible to significant improper payments. In FY 2003, SSA outlayed \$8,607 million to administer the OASI, DI and SSI programs. These costs largely consisted of payroll and benefits but also included payments to State agencies for DDS.

Risk Assessment

To better facilitate the risk assessment process, SSA segmented administrative payments into several categories. These categories were used to analyze and determine SSA's vulnerability to improper payments.

Table 4: FY 2003 Administrative Expenses (\$ in millions)	
Payroll and Benefits	\$4,454
State DDS	\$1,646
Other Administrative Expenses*	\$2,507
Total Administrative Payments	\$8,607
Notes: *Other Administrative Payments includes Travel, Transportation, Rents, Communications & Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land & Structure, Grants, Subsidies, & Contributions, Information Technology Systems, Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest & Dividends, and Insurance Claims and Indemnities.	

Using OMB guidelines, SSA conducted a risk assessment on each of the categories listed in table 3 above. The payment categories were reviewed and any identified improper payments were assessed versus the entire payment category. The result of this analysis showed that SSA's administrative payments were not susceptible to significant improper payments.

Also considered as part of the risk assessment were:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive edits inherent in SSA's administrative payment systems; and
- The strong internal control structure SSA has in place to prevent, detect, and recover improper administrative payments.

Based on the results of the overall risk assessment, the Agency determined that SSA's administrative payments do not meet the criteria for further reporting to Congress or OMB based on the OMB-issued guidance.

Recovery Audit Program

Section 831 of the Defense Authorization Act for Fiscal Year 2002 added a new subchapter to the U.S. Code (31 USC 3561-3567) that requires agencies that enter into contracts with a total value in excess of \$500 million in a FY to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

OMB guidance states that Agencies shall have a cost effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that administrative payments are not susceptible to significant improper payments, SSA contracted with

PRG Shultz, a recovery auditing firm, through an Interagency Agreement with the Department of the Treasury. The purpose of this contract is to validate the existing internal SSA review of contractor administrative payments. The recovery audit conducted by PRG Shultz is a second independent review.

Program Scope

The recovery audit program scope includes a review of administrative contractor payments from FY 2001 through FY 2004. A payment amount of 20 percent of recovered funds is contingent upon the collection of recovered funds and a nominal administrative fee of .2 percent paid to the Department of the Treasury.

Table 5: Administrative Contractor Payments (\$ in millions)	
FY 2001	\$832
FY 2002	\$736
FY 2003	\$896
FY 2004	\$882

The Agency has elected to exclude the following minimal classes of contracts from the scope of the recovery audit:

- Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and condition of the contract.
- Cost-type contracts that were completed, subjected to a final contract audit and, prior to final payment of the contractor’s final voucher, all prior interim payments made under the contract were accounted for and reconciled.

In January 2004, the recovery auditor began an initial review of the Agency’s administrative contractor payment process and internal control structure and will use proprietary algorithms to review data from FY’s 2001 through 2004. After this review of the data, any irregular payment activity will be audited in more detail and appropriate recovery activity will be employed.

Preliminary management reports from PRG Schultz do not indicate any significant recovery auditing activity. Of the \$3.3 billion payments reviewed by the recovery auditor, only .0006 percent or about \$20,000 has been identified as improper and collected. Of the \$20,000 recovered, almost \$4,000 will be paid to the Department of the Treasury through an Interagency Agreement with PRG Schultz. The identified improper payments were duplicate payments; therefore, internal procedures have been reviewed and corrective actions have been developed to strengthen existing internal controls. The vendor will conclude their review in December 2004. The audit process will continue with recovery reports and recommended improvements provided through the end of calendar year 2004.

Accountability for Improper Payments

In June 2002, SSA released the SSI Corrective Action Plan which outlined a multi-pronged approach to improve stewardship through increased overpayment detection and prevention, new measurement strategies, potential changes in SSI policies and Agency accountability. We are extremely pleased that the Government Accountability Office (GAO) removed the SSI program from its high-risk list of government programs considered especially vulnerable to waste, fraud or abuse. In doing so, GAO recognized SSA’s progress to improve the management of the program. We are continuing our efforts to improve our management of the SSI program across three fronts – improved prevention of overpayments, increased overpayment detection, and increased collection of debt. To achieve these goals, SSA executives are held accountable for meeting the initiatives in the SSI Corrective Action Plan. The plan is updated monthly and progress is monitored at regular meetings with SSA executives.

Agency Information Systems to Reduce Improper Payments

Background

In the SSI Corrective Action Plan discussed above, the Agency has identified a number of information technology (IT) initiatives to meet the 5-year goal to achieve 96 percent overpayment accuracy by FY 2008. SSA has a formal process to plan and execute IT projects and the IT budget. The Information Technology Advisory Board (ITAB) is an executive body offering advice to the Agency's Chief Information Officer (CIO) on areas of Capital Planning and Investment Capital (CPIC). The ITAB is comprised of the CIO, Deputy Commissioner for SSA, all Deputy Commissioners and other executive staff.

As part of the CPIC environment, IT plans outlining Office of Systems IT initiatives are reviewed and approved by the ITAB prior to the beginning of the fiscal year. These IT plans become the blueprint for the developmental and maintenance activity within the Office of Systems.

On a quarterly basis, the ITAB reviews the progress of each IT plan and the agreed capital investments. Major investments are assessed at key decision points to ensure they are well founded, are achieved within the approved cost and schedule, and provide expected benefits. They may be redirected or terminated when necessary. These activities are key to SSA's capital investment and control process.

FY 2005 IT Strategy

Starting in FY 2005, the "clusters" of IT projects will be replaced with Strategic Objective (SO) Portfolios. These SO Portfolios are based on SSA's nine Strategic Objectives as defined in the Agency Strategic Plan. There are also two additional portfolios not corresponding to an Agency Strategic Objective: one for Infrastructure and one for Legislation. The majority of improper payment IT initiatives fall within two SO portfolios: 1) Preventing fraudulent and erroneous payments and improving debt management and 2) Efficiently managing finances. Provided the Agency develops the IT initiatives identified to improve preventing, detecting and collecting improper payments, SSA can achieve its goal to have 96 percent SSI payment accuracy by FY 2008.

Statutory and Regulatory Barriers to Reducing Improper Payments

SSA continuously develops legislative proposals to improve administration of the OASI, DI and SSI programs. For example, SSA will be asking Congress to consider amendments to the OASI, DI and SSI programs in support of the President's FY 2005 budget. Of the proposals in the draft "Social Security Amendments of 2004", three would improve the integrity of the programs and provide SSA with additional tools to prevent improper payments.

1. One provision in the draft bill would improve SSA coordination with other government entities to provide SSA with the information needed to better administer the "windfall elimination" (WEP) and "government pension offset" (GPO) provisions. The ability to better identify persons who are receiving pensions based on noncovered employment would improve SSA's ability to accurately administer the WEP and GPO provisions and eliminate improper payments now paid to individuals who do not identify themselves as receiving such pensions.
2. A second budget provision in the draft bill would provide SSA with a process to obtain verified death data within 5 days of a person's death and within 24 hours of receipt of reports in the States' bureaus of vital statistics. SSA uses death data to terminate benefits where necessary and to pay beneficiaries entitled to death-related benefits. More timely and accurate death reports through the electronic death registration process, would result in \$40 million in savings in the OASDI and SSI programs in the first year, and almost \$100 million over 10 years. The electronic death registration process would also provide more timely and accurate death reports to other State and Federal agencies with whom SSA is required by law to share.

3. The final program integrity provision in the draft bill would require SSA to conduct SSI pre-effectuation reviews in 50 percent of disability allowances of adult cases in order to ensure accurate SSI disability determinations. This provision would yield SSI estimated savings over 10 years of \$480 million and additional significant savings in the Medicaid program. The savings in both programs total nearly \$1.4 billion. By the tenth year after enactment, the pre-effectuation reviews would have identified and prevented improper payments in an estimated 25,000 incorrect SSI disability and blindness determinations.

Agency Efforts to Collect Overpayments in the OASI, DI and SSI Programs

In FY 2004, SSA collected \$1,854.1million in program debt. Generally, SSA has two types of debt, which are determined by entitlement status:

1. Current pay debt, owed by individuals who continue to receive benefits and
2. Nonpay debt, owed by those who are no longer on the benefit rolls.

SSA's collection process depends mainly upon the entitlement status of the debtor. When the debtor is on the benefit rolls, SSA's initial overpayment letter informs the individual that if full repayment is not made recovery will be accomplished through offset of future benefits. This recovery begins after the initial 60-day due process period has expired and the debt has not been repaid. In the OASDI program we offset benefits in full unless the person can demonstrate a financial need to receive partial benefits each month. In the SSI program, we recover at the statutory rate of 10 percent of benefits, or a reduced rate if the debtor requests and qualifies for one based upon financial hardship.

When the debtor is no longer on the benefit rolls, SSA first attempts to collect the overpayment on its own. SSA sends an initial overpayment letter requesting payment in full or by regular installments. If no payment has been received, SSA uses its own billing and follow-up system to send a series of progressively stronger follow-up notices, then has debt collectors attempt personal contact to establish a repayment agreement. At any time during this process that the individual contacts SSA to establish a repayment arrangement, SSA's debt collectors negotiate an arrangement with the individual and set up the account for monthly billing. If the individual misses any of the monthly payments, a follow-up process is set in motion.

When a debt becomes "Past-Due" it is considered for referral to the Treasury Department for offset under the Treasury Offset Program (TOP) as well as for referral to credit bureaus. These referrals are preceded by statutorily required notices warning the debtor of our plans to make the referrals and providing him or her opportunity to avoid the referrals by repaying the debt or establishing a repayment arrangement. The notice also advises the individual of applicable due process rights.

When SSA's debt collectors determine that the debt will not be collected, either because the debtor cannot be located or because further recovery efforts are determined not to be cost effective, the debt is written-off. Written-off debt is still eligible for further benefit offset should the individual return to the benefit rolls. For FY 2004, debt written-off due to termination of collection efforts was \$477.3 million or 4.0 percent of the \$11,925.2 million in debt available for collection. Where applicable, written-off debt remains at Treasury for offset until the delinquency reaches 10 years. We continue to report to the credit bureaus on the delinquency until it is 7 years old. The statutes governing administrative offset preclude its use on debts delinquent more than 10 years, while those governing credit bureau reporting set a limit of 7 years.

In addition to using TOP and credit bureau reporting for delinquent OASDI and SSI debts, SSA has developed and implemented mandatory cross-program recovery. Mandatory cross-program recovery enables SSA to collect an SSI debt owed by a former recipient from any OASDI benefits being paid to that person. The Social Security Protection Act of 2004 expanded the authority for cross-program recovery and covers benefits under OASDI, SSI and Special Veterans benefits. This law gives SSA the authority to recover an overpayment in any of the three programs from benefits payable from any of the three programs. SSA will integrate the use of Administrative Wage Garnishment, Federal salary offset, cross-servicing and interest charging in its collection process. For more information, see the section entitled Debt Management located in Other Statutory Information.

Glossary of Acronyms

A

AC	Appeals Council
ACSI	American Customer Satisfaction Index
AET	Annual Earnings Test
AGA	Association of Government Accountants
AICPA	American Institute of Certified Public Accountants
AIME	Average Indexed Monthly Earnings
ALJ	Administrative Law Judge
APP	Annual Performance Plan
ASP	Agency Strategic Plan
AWIC	Area Work Incentives Coordinator

B

BL	Black Lung
BPAO	Benefits Planning, Assistance and Outreach

C

CAS	Cost Analysis System
CCNS	Call Center Network Solution
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CDR ODS	Continuing Disability Review Operational Data Store
CEAR	Certificate of Excellence in Accountability Reporting
CIO	Chief Information Officer
CMP	Civil Monetary Penalty
CMS	Centers for Medicare and Medicaid Services
COTS	Commercial Off-The-Shelf
CPI	Consumer Price Index
CPIC	Capital Planning and Investment Capital
CPI-W	Consumer Price Index – Urban Wage Earners and Clerical Workers
CPMS	Case Processing and Management System
CSRS	Civil Service Retirement System

D

DDS	Disability Determination Service
DI	Disability Insurance
DMS	Debt Management System
DOC	Data Operations Center

DOL	Department of Labor
DOS	Department of State
E	
EAB	Enumeration-at-Birth
eDIB	Electronic Disability
EDR	Electronic Death Reporting
EDW	Earnings Data Warehouse
EIC	Executive Internal Control
EN	Employment Networks
EPE	Extended Period of Eligibility
EPOXY	Earnings Posted Overall Cross Total/Year-to-Date System
ESF	Earnings Suspense File
ESO	Employer Services Online
F	
FAQ	Frequently Asked Questions
FASAB	Federal Accounting Standards Advisory Board
FECA	Federal Employees' Compensation Act
FedCIRC	Federal Computer Incident Response Center
FERS	Federal Employees' Retirement System
FFMIA	Federal Financial Management Improvement Act
FICA	Federal Insurance Contributions Act
FMFIA	Federal Managers' Financial Integrity Act
FMS	Financial Management Systems
FO	Field Office
FWTP	Future Workplace Transition Plan
FY	Fiscal Year
G	
GAAP	Generally Accepted Accounting Principles
GAO	Government Accountability Office
GDP	Gross Domestic Product
GPO	Government Pension Offset
GPRA	Government Performance and Results Act of 1993
GSA	General Services Administration
H	
HAVA	Help America Vote Act
HCP	Human Capital Planning
HEP	High Error Profile
HHS	Health and Human Services
HI/SMI	Hospital Insurance/Supplemental Medical Insurance

HO	Hearings Office
I	
IG	Inspector General
IPIA	Improper Payments Information Act of 2002
IRS	Internal Revenue Service
ISBA	Internet Social Security Benefit Application
ISM	In-Kind Support and Maintenance
IT	Information Technology
ITAB	Information Technology Advisory Board
IVT	Interactive Video Training
IWMS	Integrated Work Measurement System
K	
KPI	Key Performance Indicator
L	
LA	Living Arrangements
LAE	Limitation on Administrative Expenses
M	
MBR	Master Beneficiary Record
MCAS	Managerial Cost Accountability System
MD&A	Management's Discussion and Analysis
MI	Management Information
MIICR	Management Information Initial Claims Record
MS	Military Service
MSPB	Merit Systems Protection Board
N	
NRA	Normal Retirement Age
O	
OASDI	Old-Age, Survivors and Disability Insurance
OASI	Old-Age and Survivors Insurance
OCO	Office of Central Operations
OCSE	Office of Child Support Enforcement
OEO	Office of Earnings Operations
OHA	Office of Hearings and Appeals
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OPM	Office of Personnel Management
OQA	Office of Quality Assurance
OTR	On-The-Record

P

P&F	Program and Financing
PABSS	Protection and Advocacy for Beneficiaries of Social Security
PAR	Performance and Accountability Report
PART	Program Assessment Rating Tool
PEODS	Posteligibility Operational Data Store
PER	Proposal to Extend Reviews
PMA	President's Management Agenda
POMS	Program Operations Manual System
PP&E	Property, Plant and Equipment
PPWY	Processed Per Workyear
PSC	Program Service Center
PTF	Payments to the Trust Funds
PUMS	Public Understanding Measurement System
PwC	PricewaterhouseCoopers LLP

Q

QA	Quality Assurance
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R

RO	Regional Office
ROAR	Recovery of Overpayments, Accounting and Reporting System
RRB	Railroad Retirement Board
RRI	Railroad Retirement Interchange
RSDI	Retirement, Survivor, Disability Insurance
RSI	Retirement and Survivors Insurance

S

SBR	Statement of Budgetary Resources
SCNP	Statement of Changes in Net Position
SDW	Special Disability Workload
SECA	Self Employment Contributions Act
SEI	Self Employment Income
SES	Senior Executive Service
SFFAS	Statement of Federal Financial Accounting Standards
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSAMIS	Social Security Administration Management Information Systems
SSI	Supplemental Security Income
SSN	Social Security Number
SSNVS	Social Security Number Verification Service
SSOARS	Social Security Online Accounting and Reporting System
SSPA	Social Security Protection Act of 2004

SSPP	Standardized Security Profile Project
SSR	Supplemental Security Record
SUMS	Social Security Unified Measurement System
SWA	State Workforce Agency

T

TAR	Targeted Assessment Reviews
Title II	Social Security
Title XVI	Supplemental Security Income
TOP	Treasury Offset Program
TSR	Teleservice Center Representative
TWP	Trial Work Period
TY	Tax Year

U

USC	United States Code
USCIS	United States Citizenship and Immigration Services

V

VTC	Video Teleconference
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W

W-2s	Employee Wage Reports
W-2C	Online Internet filing by small employers
WC	Workers' Compensation
WEP	Windfall Elimination

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