



SOCIAL SECURITY

MEMORANDUM

Date: June 6, 2003

Refer To:

To: The Commissioner

From: Inspector General

Subject: Performance Indicator Audit: Payment Accuracy (A-15-02-11086)

We contracted with PricewaterhouseCoopers (PwC) to evaluate the data used to measure 18 of the Social Security Administration's performance indicators established to comply with the Government Performance and Results Act. Attached is the final report presenting the results of two of the performance indicators PwC reviewed. The objective of this audit was to assess the reliability of the data used to measure the accuracy of Old-Age, Survivors and Disability Insurance and Supplemental Security Income benefit payments.

Please comment within 60 days from the date of this memorandum on corrective action taken or planned on each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in blue ink, appearing to read "James G. Huse, Jr.".

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**PERFORMANCE INDICATOR
AUDIT:
PAYMENT ACCURACY**

June 2003 A-15-02-11086

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.**
- Access to all information necessary for the reviews.**
- Authority to publish findings and recommendations based on the reviews.**

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.

MEMORANDUM

To: Office of the Inspector General
From: PricewaterhouseCoopers LLP
Date: May 30, 2003
Subject: Performance Indicator Audit: Payment Accuracy (A-15-02-11086)

The Government Performance and Results Act (GPRA) of 1993¹ requires the Social Security Administration (SSA) to develop performance indicators that assess the relevant service levels and outcomes of each program activity set forth in its budget.² GPRA also calls for a description of the means employed to verify and validate the measured values used to report on program performance.³

The objective of this audit was to assess the reliability of the data used to measure the following Fiscal Year (FY) 2002 GPRA performance indicators:

<u>Performance Indicator</u>	<u>FY 2002 Goal</u>
------------------------------	---------------------

Percent of OASDI payment outlays “free” of overpayments and underpayments (based on non-medical factors of eligibility)

Overpayments	99.8% ⁴
Underpayments	99.8% ⁵

Percent of SSI payment outlays “free” of overpayments and underpayment (based on non-medical factors of eligibility)

Overpayments	94.7% ⁶
Underpayments	98.8% ⁷

See Appendix A for a description of the audit scope and methodology.

¹ Public Law No. 103-62, 107 Stat. 285.

² 31 U.S.C. 1115 (a) (4).

³ 31 U.S.C. 1115 (a) (6).

⁴ *Social Security: Performance Plan for Fiscal Year 2003, Revised Final Performance Plan for Fiscal Year 2002*, page 86.

⁵ Ibid.

⁶ Ibid, page 87.

⁷ Ibid.

BACKGROUND

SSA offers retirement and long-term disability programs to the general public. Old-Age, Survivors and Disability Insurance (OASDI) is authorized under title II of the Social Security Act.⁸ Through the OASDI program, eligible workers and sometimes their family receive monthly benefits if they retire at an appropriate age or are found to have a disability that either prevents them from engaging in substantial gainful activity for at least 12 months or can be expected to result in death.⁹ Supplemental Security Income (SSI) is authorized under title XVI of the Social Security Act and provides monthly payments to aged and disabled individuals based on financial need and medical requirements.¹⁰

SSA measures payment accuracy through Stewardship and Index of Dollar Accuracy (IDA) reviews. Stewardship reviews measure the quality and accuracy of recurring payments provided by SSA and are reported to Congress in the Stewardship Reports. IDA reviews focus on the accuracy of initial claim payments. This performance indicator audit evaluated payment accuracy for the OASDI and SSI Stewardship reviews.

SSI Stewardship reviews began in 1975, Retirement and Survivors Insurance (RSI) Stewardship reviews began in 1981, and Disability Insurance (DI) Stewardship reviews began in 1997.¹¹ SSA reports the RSI and DI results as one measure (OASDI) in the accuracy reviews. The Stewardship reviews are conducted for a sample of beneficiaries who received recurring payments during the review month. The review focuses on verifying the factors that lead to monthly payments. See Appendix B for a workflow and description of the review.

The Stewardship review is an examination of all payments made on the sampled beneficiaries' Social Security numbers (SSN). SSA treats sampled SSNs as "accounts" and reviews all payments associated with those accounts. The OASDI Stewardship review examines the account to determine whether the payment is accurate. The SSI Stewardship review examines the account to determine whether the recipient is eligible to receive SSI payments and if the payment is accurate.

Within SSA, the Office of Quality Assurance and Performance Assessment (OQA) randomly selects OASDI and SSI beneficiaries each month to participate in the review. The Assistance and Insurance Program Quality Branch, or regional OQA offices, receive the sample participants' information from OQA, schedule and conduct interviews with the recipients if necessary, and determine whether there is an over or underpayment based on non-medical factors of eligibility. The results of the review are entered into the SSI Quality Assurance (QA) System or the RSI QA System. OQA calculates the performance indicator based on the outcome of the review.

⁸ 42 U.S.C. 401 *et seq.*

⁹ 42 U.S.C. 423 (d)(1).

¹⁰ 42 U.S.C. 1381 *et seq.*

¹¹ SSA considers the OASDI Stewardship review a combination of the RSI and DI Stewardship reviews.

Data from FYs 2001 and 2002 was not available for inclusion in this report. We used the latest available data, FY 2000, to recalculate the performance indicators. Our review encompassed four performance indicators.

1. Percent of OASDI payment outlays free of overpayments.
2. Percent of OASDI payment outlays free of underpayments.
3. Percent of SSI payment outlays free of overpayments.
4. Percent of SSI payment outlays free of underpayments.

The formula used to calculate each performance indicator follows.

$$\text{OASDI Payment Accuracy} = \left[1 - \frac{\text{Overpayment (or underpayment) dollars}}{\text{All OASDI payments}} \right] * 100$$

$$\text{SSI Payment Accuracy} = \left[1 - \frac{\text{Overpayment (or underpayment) dollars}}{\text{All SSI payments}} \right] * 100$$

The payment accuracy rate performance indicators are estimates derived from sampled cases and will not generally equal the true accuracy rates for all payments. Accordingly, SSA calculates the precision, or margin of error, for each of the estimates. The margin of error provides a range of values that are expected to contain the true population accuracy rate with some level of confidence. Appendix C provides more information on SSA’s methodology for calculating the margin of error. The margin of error is not directly part of the payment accuracy rate indicator. Rather, it provides information to understand how close the estimated accuracy rate is expected to be to the true accuracy rate.

As part of the financial statement audit, PricewaterhouseCoopers (PwC) examined SSA’s payment accuracy for both the OASDI and SSI programs. PwC’s FY 2001 financial statement audit included a review of the OASDI sample selection methodology and the SSI selection programs. PwC recommended SSA integrate their selection programs, improve the documentation, and use the t-distribution instead of the normal distribution to calculate the margin of error. In FY 2002, the PwC financial statement audit included a review of the SSI sample selection methodology and the OASDI selection programs. The financial statement audit included a review of any changes made to the sample selection methodology and programs. To avoid duplication of effort with the financial statement audit, this performance audit focused on replication of the payment accuracy performance indicators. Our evaluation of SSA’s methodology and programs builds on findings from the financial statement audit for both OASDI and SSI.

RESULTS OF REVIEW

We evaluated payment accuracy for both the OASDI and SSI programs. We found SSA's methodology for calculating accuracy rate performance indicators to be appropriate and statistically valid. We successfully replicated the FY 2000 performance indicators from SSA's Performance and Accountability Report for FY 2001. We also examined the more detailed Payment Accuracy (Stewardship) Reports that SSA prepares and issues to Congress. Overall, we found the performance indicators to be appropriate GPRA measures. They are direct measures of outcomes and support SSA's strategic goal, "...to ensure the integrity of Social Security programs, with zero tolerance for fraud and abuse."

SSA provides the margin of error in the Stewardship Reports, but does not include this information in the final Performance and Accountability Report. While SSA is not required to include this information in the Performance and Accountability Report, the margin of error provides valuable information on the precision of the statistical estimates.

We found that SSA's margin of error, as reported in the Stewardship reports, is not calculated appropriately for the OASDI payment accuracy rates. When calculating the margin of error, OQA did not weight the error dollars¹² to the total population. In addition, the margin of error equations contain an incorrect factor for both the OASDI and SSI programs. After recalculation, the margin of error for OASDI payment accuracy rates decreased and the margin of error for SSI payment accuracy rates slightly increased.

Neither the lack of a published margin of error nor the incorrect margin of error calculations change the fundamental result that the performance indicators are appropriate and statistically valid. However, these deficiencies do represent areas for improvement. Additionally, we noted that SSA could improve its documentation by saving the sample data used to calculate the performance indicators.

PERFORMANCE INDICATOR DATA WAS RELIABLE

This audit consisted of recalculating the payment accuracy rates for the OASDI program, which is a combination of the RSI and DI programs, and the SSI program. We recalculated the dollar-weighted percentage of overpayments and underpayments for the RSI, DI, and SSI programs, based on FY 2000 data from OQA. Our recalculations matched the payment accuracy reported by SSA for FY 2000.

¹² For overpayments, the error dollars is the amount paid to customers in error. For underpayments, the errors dollars are the total dollars that should have been paid to customers, but were not.

OQA does not separate and retain data used to calculate the accuracy rates

After calculating the official payment accuracy rates, OQA does not separate and retain the data. In addition, subsequent changes can be made to the data. To complete our evaluation, we recalculated the accuracy rates using the most current Stewardship review data for FY 2000. Our results matched OQA's original results for all accuracy rates except DI underpayment. OQA retains a summary diagnostic report of the data used to calculate the payment accuracy rates. From a review of this diagnostic report we inferred that a record had changed between the original data and the data used in our validation. After adjusting for this record, our recalculated accuracy rates matched OQA's original accuracy rates.

Margin of error is not published with the accuracy rate estimates

SSA conducts the Stewardship Review for a relatively small sample of cases and uses the sample data to develop an accuracy estimate for all recurring payments. SSA also calculates a margin of error for each accuracy estimate. Margin of error is an important element in assessing the precision of a statistical estimate. Results with a large margin of error do not provide meaningful information on the true accuracy rate for the entire population.

The SSI Stewardship Report identifies margin of error (termed 'precision') for the SSI performance indicators. The OASDI Stewardship Report identifies margin of error (termed 'precision') for the separate RSI and DI overpayment/underpayment accuracy rates but not for the overall OASDI performance indicator. The FY 2001 Performance and Accountability Report does not provide the margin of error results for either SSI or OASDI. As a result, the general public is not informed of the precision of the accuracy rates.

Margin of error is not calculated correctly

Through a series of interviews, we found that OQA calculates the margin of error for the accuracy rates using a statistical technique known as random group. Our understanding of this approach is found at Appendix C. We agree that this technique is reasonable and appropriate. However, during our review, we found two issues with OQA's application of the procedure.

1. We found an inconsistency in the margin of error calculations for the OASDI program. OQA indicated it weights error dollars when using the random group approach to calculate the margin of error. However, OQA used unweighted error dollars to calculate the margin of error reported in the Stewardship report. After weighting the error dollars and recalculating the margin of error, we found that the margin of error is smaller than originally provided in the Stewardship reports.

2. OQA also uses an incorrect factor in calculating the margin of error (normal distribution as opposed to t-distribution)¹³. As a result, each margin of error (including both OASDI and SSI) has been understated by 15 percent. In other words, the margin of error is larger than originally provided in the Stewardship reports. Appendix C provides a more detailed explanation of this difference.

The following table shows the margin of error values reported by SSA in its Stewardship Reports and the recalculated values. Note that both issues above apply to the OASDI margin of error calculations and impact the margin of error in opposite directions. The net effect reflected in the table below is that the first issue has a much greater impact than the second issue on the final margin of error values.

Accuracy Rate Margin of Error at 95% Confidence

	Estimated Accuracy Rate	SSA Reported Margin of Error	Recalculated Margin of Error
DI Overpayment	99.62%	+/- 0.41%	+/- 0.28%
DI Underpayment	99.61%	+/- 1.11%	+/- 0.78%
RSI Overpayment	99.96%	+/- 0.30%	+/- 0.04%
RSI Underpayment	99.89%	+/- 0.37%	+/- 0.16%
SSI Overpayment	93.60%	+/- 0.56%	+/- 0.65%
SSI Underpayment	98.60%	+/- 0.22%	+/- 0.25%

We recalculated the margin of error for all over and underpayment performance indicators. The recalculated margin of error for DI and RSI over and underpayments was lower than SSA previously reported. For example, SSA calculated the DI overpayment as 99.62 +/- 0.41 percent. We recalculated the true accuracy rate as 99.62 +/- 0.28 percent. The recalculated margin of error for the SSI over and underpayments was slightly higher than SSA previously reported. While these margin of error discrepancies do not change the estimated accuracy rates, an incorrect margin of error provides misleading information on the precision of the estimated accuracy rates.

¹³ See Appendix C for further explanation.

OTHER MATTERS

The Office of Management and Budget's (OMB) Circular No. A-11¹⁴ defines payment accuracy as:

“Erroneous payments are payments made under the programs listed in Exhibit 57 (for SSA, these programs are OASI, DI, and SSI) that should not have been made or were made for an incorrect amount...Examples of erroneous payments include payments to ineligible persons or the wrong organizations, payments in the wrong amount, payments for ineligible services, duplicate or other overpayments, and payments for services never received. Erroneous payments may be due to procedural or administrative errors made by the payor (e.g., providing incorrect account numbers in payment instructions), or errors or fraud by payees or claimants (e.g., under reporting of income by beneficiary). Covered payments include overpayments and underpayments made by the Federal Government, its direct contractors, and by States or other grant recipients administering Federal programs.”

In the General Accounting Office's (GAO) October 2001 executive guide, *Strategies to Manage Improper Payments*, GAO provides examples of improper payments as “...inadvertent errors, payments for unsupported or inadequately supported claims, payments for services not rendered, payments to ineligible beneficiaries, and payments resulting from outright fraud and abuse by program participants and/or federal employees.”

SSA's policy and operation manual defines an overpayment as “...the total amount an individual received for any period which exceeds the total amount which should have been paid for that period.”¹⁵ SSA has three performance indicators to measure payment accuracy in its FY 2002 Annual Performance Plan:

- OASDI payment accuracy
- SSI payment accuracy, excluding unpreventable errors
- SSI payment accuracy, including preventable and unpreventable errors

SSA's FY 2000 title II Stewardship report states that for OASDI payment accuracy, “Error dollars refer to incorrect payment made to a case as a whole.” Overpayments are defined as payment in a sample month that “...was more than the amount that should have been paid.” SSA's FY 2000 title XVI Stewardship report describes SSI payment accuracy as the correct amount, or what should have been paid, compared to the amount that was paid to the recipient. In addition, SSA measures the SSI accuracy rate exclusive of unavoidable errors, where unavoidable errors are errors that “...result from limitations in the Agency's computer systems and/or limitations placed on SSA by law.”

¹⁴ OMB Circular No. A-11, Transmittal Memorandum No. 74, Subject: Preparing and Submitting Budget Estimates, Part 1, Subpart III. Section 57, dated July 7, 2001 and revised November 8, 2001.

¹⁵ See SSA Policy and Operation Manual section GN 02201.001.A.

For example, SSA does not include payments made after a beneficiary's death as overpayments for both the OASDI and SSI performance indicators. OMB and GAO definitions would include these in the payment accuracy calculations. Also, SSA does not include errors based on medical factors of eligibility for the OASDI and SSI payment accuracy calculations while OMB and GAO definitions would include these in the calculation. Thus, SSA's definition of payment accuracy is narrower than OMB and GAO's definitions.

CONCLUSIONS AND RECOMMENDATIONS

Our overall conclusion is that the performance indicators are accurate and appropriate GPRA measures. OQA calculates the SSI, RSI, and DI payment accuracy appropriately. OQA also compiles the OASDI payment accuracy from the RSI and DI results appropriately. Our audit identified four opportunities for improvement. Our recommendations are as follows.

1. Retain sample data used to calculate accuracy rates

SSA should retain the exact set of data used to generate the final accuracy estimates. This will improve the ability of third parties to review and validate accuracy rates in the future.

2. Show the margin of error in future Performance and Accountability Reports

It is a best practice to include the margin of error when reporting statistical estimates. The margin of error is an important element in determining the value of statistical estimates. This is especially true for the payment accuracy performance indicators because even very small differences in the accuracy rates result in tens of millions of dollars in total program costs. For example, the Stewardship report estimates that every 0.1 percent difference in the accuracy rates is approximately \$54 million for the DI program and \$348 million for the RSI program.

We note that the FY 2001 Performance and Accountability Report references the OASDI and SSI Stewardship Report, and the Stewardship Reports contain margin of error data. However, these Stewardship Reports are not generally available to the public and we do not believe that simply referencing them represents sufficient documentation. We recommend that margin of error information be directly reported with the overpayment/underpayment accuracy rate performance indicators.

3. Accurately calculate margin of error

SSA should correct both identified issues with the margin of error calculations:

- a) Calculate OASDI margin of error using weighted error dollars consistent with the approach for the SSI accuracy calculations.

- b) Calculate the margin of error using the appropriate value from the t-distribution rather than from the normal distribution. PwC identified this issue and made the same recommendation during the FY 2001 financial statement audit of the OASDI accuracy rates. OQA agreed with our findings and recommendations but this occurred after the FY 2000 payment accuracy results had been published. We understand that SSA has made the change for FY 2001. We recommend this change be made for the SSI program as well.

4. Measure payment accuracy in accordance with OMB and GAO definitions

We recommend that SSA modify its payment accuracy performance indicators so that they are consistent with OMB and GAO definitions. In addition, we recommend that SSA measure preventable errors as a separate payment accuracy performance indicator for both OASDI and SSI. Finally, we recommend that SSA specifically document the error types included in each payment accuracy performance indicator.

AGENCY COMMENTS

In response to our draft report, SSA agreed with recommendations 1 through 3 and agreed in part with recommendation 4. The full text of SSA's comments can be found in Appendix E.

With respect to recommendation 4, SSA agrees that it should measure payment accuracy in accordance with OMB and GAO definitions and believes that its payment accuracy measures are in accordance with both OMB's and GAO's guidelines.

SSA disagreed with part 2 of recommendation 4, that it should establish a separate performance indicator for preventable and unpreventable errors in OASI. Further, the Agency stated it has already established separate performance indicators for preventable and unpreventable errors for the SSI program.

SSA agrees with the 3rd part of recommendation 4 to specifically document the error types included in each payment accuracy performance indicator. However, SSA states the documentation already exists in SSA's quality assurance manuals, OASDI and SSI payment accuracy (stewardship) reports and SSA's Annual Performance Plan.

PWC RESPONSE

Although SSA states it measures payment accuracy in accordance with OMB and GAO definitions, we continue to believe that its definition is more narrow than OMB and GAO definitions. We recommend the Agency continue to work with OMB and GAO to refine the definition of its payment accuracy calculation.

With respect to the technical comments, we only looked at the two performance indicators listed on page one. We based our performance indicators names on the APP at the time of the audit.

Appendices

APPENDIX A – Scope and Methodology

APPENDIX B – Flowcharts and Descriptions

APPENDIX C – Statistical Methodology for Margin of Error Calculation

APPENDIX D – Acronyms

APPENDIX E – Agency Comments

Scope and Methodology

We conducted this audit to examine Social Security Administration's (SSA) Fiscal Year (FY) 2002 payment accuracy performance indicators. SSA developed these performance indicators to meet the requirements of Government Performance and Results Act (GPRA). Because FY 2002 payment accuracy data and results were not available at the time of this audit, we used the latest available data (FY 2000) in our evaluation of the controls and the final reported performance indicators. In addition, we evaluated differences in methodology between FYs 2000 and 2002.

We performed our testing from May 1, 2002 through July 18, 2002 as follows.

- Reviewed the sampling selection and weighting procedure;
- Recalculated the sampling estimates and sampling error estimates;
- Discussed the process and techniques used to calculate the payment accuracy rates with SSA staff;
- Obtained documentation on the sampling methodology, including the sampling selection and the weighting procedure;
- Discussed the techniques employed by SSA to calculate the sampling error estimates with Office of Quality Assurance and Performance Assessment (OQA) staff;
- Reviewed the sampling methodology and verified that SSA procedures were statistically sound;
- Obtained payment accuracy data, including Social Security number, amount paid, dollar error, and sampling weight;
- Recalculated the payment accuracy rates; and
- Verified that the recalculated payment accuracy rates were the same as the accuracy reported by SSA.

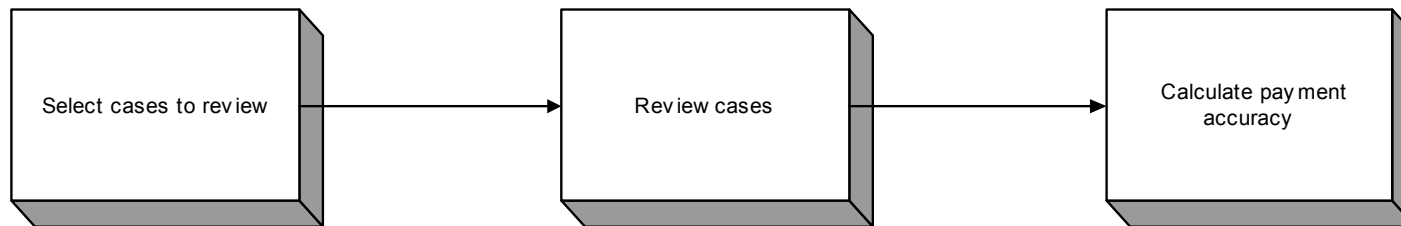
In conducting this audit, we also:

- Reviewed SSA's Accountability Report for FY 1999, Annual Performance Plan for FY 2001, and Revised Final Performance Plan for FY 2002 to determine the baseline data, definition, and data source for the performance indicator;
- Reviewed GPRA and Office of Management and Budget guidance related to GPRA; and
- Interviewed OQA and Office of Strategic Management policy and program staff to document the methodologies and procedures used to produce performance data for this indicator.

Our audit was limited to testing at SSA's Headquarters in Woodlawn, Maryland. The procedures we performed were in accordance with the American Institute of Certified Public Accountants' Statement on Standards for Consulting Services and the General Accounting Office's *Government Auditing Standards* ("Yellow Book") for performance audits.

Flowcharts and Descriptions

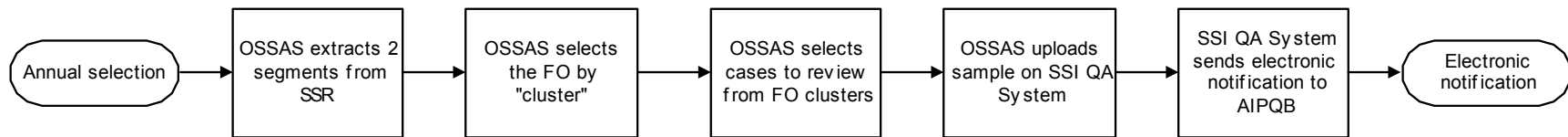
Payment Accuracy - title II and title XVI



Title II and title XVI payment accuracy:

- Select cases to review.
- Review of cases.
- Calculate payment accuracy.

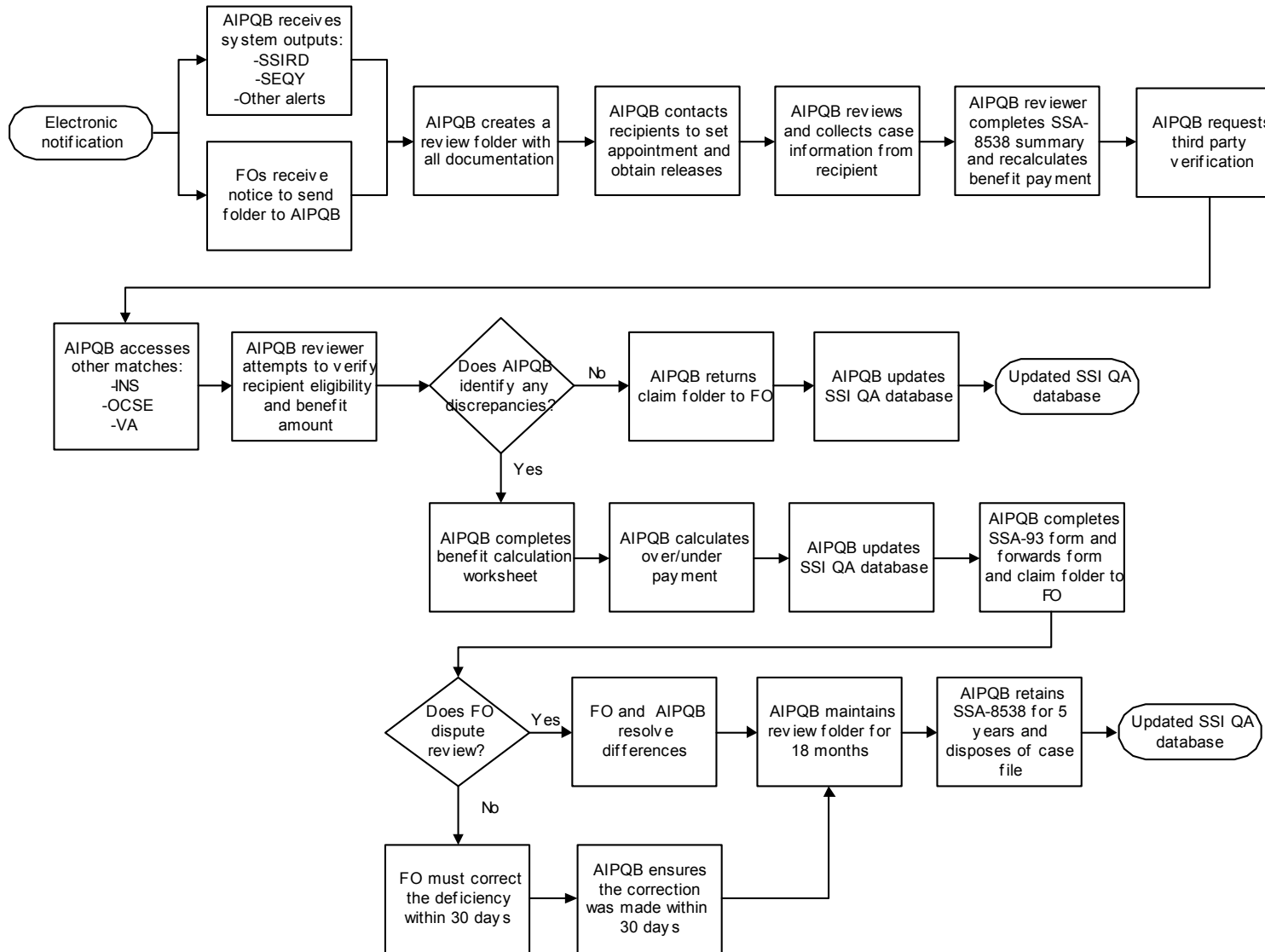
Select cases to review - title XVI



Select cases to review – title XVI:

- The Office of Statistics and Special Area Studies (OSSAS) extracts two segments from the Supplemental Security Record (SSR).
- OSSAS selects field offices (FO) by cluster based on travel costs for a reviewer to conduct an in-home interview.
- OSSAS selects cases to review from the list of FOs in the previous stage.
- OSSAS uploads sample on SSI QA System.
- SSI QA System sends electronic notification to Assistance and Insurance Program Quality Branch (AIPQB), or the Regional OQA offices.

Review cases - title XVI



Review cases - title XVI:

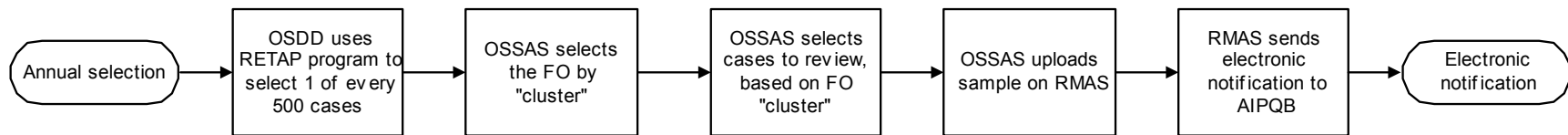
- AIPQB receives electronic notification and system outputs, including the SSI Record Display (SSIRD), the Summary Earnings Query (SEQY), and other alerts, and FOs receive notice to send folder to AIPQB.
- AIPQB creates a review folder and adds all documentation.
- AIPQB contacts recipients to set appointment and obtain releases.
- AIPQB reviews and collects case information from recipients.
- AIPQB reviewer completes SSA-8538 summary and recalculates benefit payment.
- AIPQB requests third-party verification.
- AIPQB accesses other matches, such as the Immigration and Naturalization Service (INS), Office of Child Support Enforcement (OCSE), and Veterans Affairs (VA).
- AIPQB reviewer attempts to verify recipient eligibility and benefit amount.

Does AIPQB identify any deficiencies? If AIPQB does not detect any deficiencies, they return the claim folder to the FO and update the SSI QA data base. If AIPQB does identify deficiencies, they do the following.

- AIPQB completes the benefit calculation worksheet to calculate the over or underpayment.
- AIPQB updates the SSI QA data base.
- AIPQB completes SSA-93 form and forwards the form and claim folder to the FO.

Does the FO dispute the review? If the FO disputes the review, they resolve their differences with AIPQB. AIPQB maintains the review folder for 18 months, retains the SSA-8538 for 5 years, disposes of the case file, and updates the SSI QA data base. If the FO does not dispute the review, the FO must correct the deficiency within 30 days. AIPQB ensures the correction was made within 30 days, maintains the review folder for 18 months, retains the SSA-8538 for 5 years, disposes of the case file, and updates the SSI QA data base.

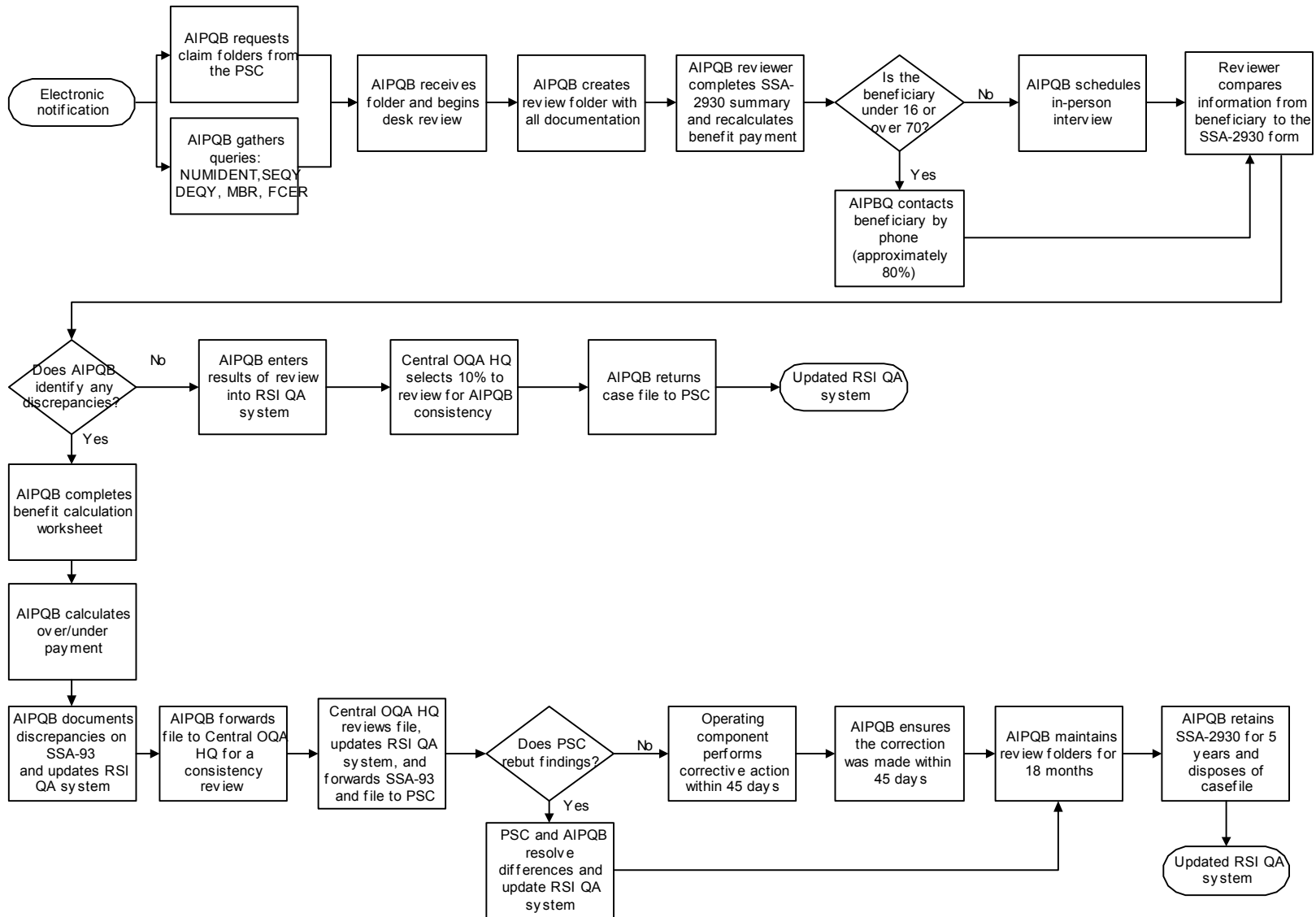
Select cases to review - title II



Select cases to review – title II:

- The Office of Software Design and Development (OSDD) uses the RETAP program to select 1 of every 500 cases.
- OSSAS selects FOs by cluster based on travel costs for a reviewer to conduct an in-home interview.
- OSSAS selects cases to review from the list of FOs in the previous stage.
- OSSAS uploads sample on RMAS.
- RMAS sends electronic notification to AIPQB.

Review cases - title II



Review cases – title II:

- AIPQB requests claim folders from the program service center (PSC).
- AIPQB gathers queries, including a query of the NUMIDENT and the Master Beneficiary Record (MBR) and the Detailed Earnings Query (DEQY), SEQY and Full Claims Earnings Record (FCER).
- AIPQB receives folder and begins desk review.
- AIPQB creates a review folder with all documentation.
- AIPQB reviewer completes SSA-2930 summary and recalculates benefit payment.

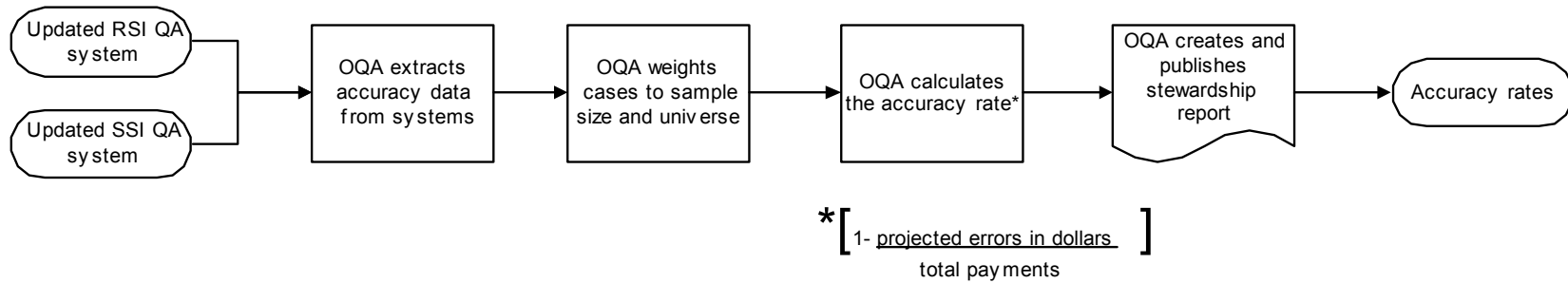
Is the beneficiary under 16 or over 70? If yes, the AIPQB contacts the beneficiary by telephone. If no, AIPQB schedules an in-person interview. The reviewer compares information from the beneficiary to information on the SSA-2930 form.

Does AIPQB identify any deficiencies? If no, AIPQB enters the results of the review into the RSI QA system. The Central OQA Headquarters (HQ) selects 10 percent of cases to review for AIPQB consistency. AIPQB returns the case file to PSC. If yes, the following occurs.

- AIPQB completes the benefit calculation worksheet to calculate the over/under payment.
- AIPQB completes a SSA-93 form and forwards the file to Central OQA Headquarters for a consistency review.
- The Central OQA HQ forwards SSA-93 form and file to PSC.

Does PSC rebut findings? If yes, the PSC and AIPQB resolve the differences. AIPQB maintains a review folder for 18 months, retains the SSA-2930 for 5 years, and disposes of the case file. If no, the operating component performs the corrective action within 45 days. AIPQB ensures the correction was made within 45 days. AIPQB maintains a review folder for 18 months, retains the SSA-2930 for 5 years, and disposes of the case file.

Calculation of payment accuracy title II and title XVI



Calculation of payment accuracy for title II and XVI:

- OQA pulls accuracy data from the RSI QA system and the SSI QA system.
- OQA weights cases to sample size and universe.
- OQA calculates the accuracy rate by dividing the projected dollar errors by the total payments and subtracting the results from one.
- OQA creates and publishes the stewardship report.

Statistical Methodology for Margin of Error Calculation

Social Security Administration (SSA) determines the margin of error (or precision) using a statistical technique known as the random group approach. SSA performs this technique by taking the full set of sample data, called the parent sample, and partitioning it into 10 groups. Each sample record is included in 1 of the 10 groups based on the seventh digit of the Social Security number for that record.

First, the Office of Quality Assurance and Performance Assessment (OQA) estimates the weighted dollar accuracy, $\bar{\theta}$, from the parent sample. OQA reports this estimate in the Stewardship reports.

Second, OQA separates the data into 10 groups and estimates the weighted dollar accuracy for each group, θ_i . SSA then calculates the margin of error as

$$\text{Margin of Error} = \left(\pm z_{\alpha/2} \sqrt{\text{Var}(\bar{\theta})} \right)$$

Where

$$\text{Var}(\bar{\theta}) = \sum_{i=1}^k \frac{(\theta_i - \bar{\theta})^2}{k(k-1)} \text{ and } k \text{ is the number of groups}$$

$$z_{\alpha/2} = 1.96 \text{ for } 95\% \text{ confidence } (\alpha = 0.05)$$

$$\theta_i = \text{Accuracy rate for the } i\text{th random group } (i = 1, 2, \dots, 10)$$

Under the random group approach, OQA uses a small number of groups to calculate the margin of error. According to statistical literature,¹⁶ if the number of groups is small, it is more appropriate to use the t-distribution than the normal distribution. As a result, OQA should calculate the margin of error as:

$$\text{Margin of Error}_{\text{PWC}} = \left(\pm t_{\alpha/2, (k-1)} \sqrt{\text{Var}(\bar{\theta})} \right)$$

Where

$$t_{\alpha/2, (k-1)} = 2.26 \text{ for } 95\% \text{ confidence } (\alpha = 0.05, k = 10)$$

¹ Wolter, Kirk M. (1985). *Introduction to Variance Estimation*. New York: Springer-Verlag. p. 23.

We recommend using the t-distribution (where $t = 2.26$) instead of the normal distribution (where $z = 1.96$) because OQA uses a small sample size to estimate the margin of error under the random group approach. As a result, OQA results understate the margin of error by a factor of 1.15 ($2.26/1.96$) or 15 percent.

Acronyms

AIPQB	Assistance and Insurance Program Quality Branch
DEQY	Detailed Earnings Query
DI	Disability Insurance
FCER	Full Claims Earnings Record
FO	Field Office
FY	Fiscal Year
GAO	General Accounting Office
GPRA	Government Performance and Results Act
HQ	Headquarters
IDA	Index of Dollar Accuracy
INS	Immigration and Naturalization Service
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OCSE	Office of Child Support Enforcement
OMB	Office of Management and Budget
OQA	Office of Quality Assurance and Performance Assessment
OSDD	Office of System Design and Development
OSSAS	Office of Statistics and Special Area Studies
PSC	Program Service Center
PwC	PricewaterhouseCoopers LLP
QA	Quality Assurance
RSI	Retirement and Survivors Insurance
SEQY	Summary Earnings Query
SSA	Social Security Administration
SSI	Supplemental Security Income
SSIRD	SSI Record Display
SSN	Social Security number
SSR	Supplemental Security Record
VA	Department of Veterans Affairs

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: May 30, 2003 **Refer To:** S1J-3

To: James G. Huse, Jr.
Inspector General

From: Larry W. Dye
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Performance Indicator Audit: Payment Accuracy" (A-15-02-11086)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Staff questions may be referred to Laura Bell at extension 52636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT “PERFORMANCE INDICATOR AUDIT: PAYMENT ACCURACY” (AUDIT NO. A-15-02-11086)

We appreciate the opportunity to review and comment on the draft report, and are pleased with your conclusion that the performance indicators are accurate and appropriate Government Performance Results Act (GPRA) measures.

Our responses for the specific recommendations are provided below. We are also providing a technical comment that should be included to enhance the accuracy of the report.

Recommendation 1

The Social Security Administration (SSA) should retain sample data used to calculate accuracy rates.

SSA Response

We agree, and have already taken action to retain the exact set of data used to generate the final accuracy estimates.

Recommendation 2

SSA should show the margin of error in future Performance and Accountability Reports (PAR).

SSA Response

We agree, and we will include the margin of error when we submit the Title II and Title XVI stewardship data for inclusion in the next Performance and Accountability Report (PAR).

Recommendation 3

SSA should accurately calculate margin of error.

SSA Response

We agree, and are now calculating the margin of error using the appropriate value from the T-distribution for both the Old Age and Survivors Disability Insurance (OASDI) and Supplemental Security Income (SSI) payment accuracy reviews. PricewaterhouseCoopers (PwC) was advised of the action we took on this recommendation in the August 2002 update to PwC's Fiscal Year 2001 Management Letter.

Recommendation 4

SSA should measure payment accuracy in accordance with the OMB and GAO definitions. SSA should measure preventable errors as a separate payment accuracy performance indicator for both OASDI and SSI. SSA should specifically document the error types included in each payment accuracy performance indicator.

SSA Response

We agree that SSA should measure payment accuracy in accordance with OMB and GAO definitions, and we believe that our payment accuracy measures are in accordance with both OMB's and GAO's guidelines. The data definitions that are included in our fiscal year (FY) 2003 Annual Performance Plan (APP) were reviewed with OMB to ensure compliance with their guidelines. We also believe that they meet GAO's general definition as GAO has been very actively involved in OASDI and SSI payment issues.

With respect to the second part of the recommendation, "SSA should measure preventable errors as a separate payment accuracy performance indicator for both OASDI and SSI" and the specific items regarding payments after death and disability determination decision errors based on medical factors, we do not agree.

The Agency has already established separate performance indicators for preventable and unpreventable errors for the SSI program. We are required by statute, regulation or

court order to make certain payments that may later be determined to be recoverable overpayments. We emphasize that these overpayments were not due to Agency or beneficiaries caused error, but were required to be made by statute, regulation or court order.

As OASI program overpayment accuracy rate for fiscal years (FYs) 2001 and 2000 were 99.98 percent and 99.96 percent, respectively. The OASI underpayment accuracy rates for FYs 2001 and 2000 were 99.78 percent and 99.89 percent, respectively. Even if SSA devotes additional resources to improve the rate of payment accuracy in the OASI program, any improvement in payment accuracy may not be discernible in SSA's quality assurance reviews. Therefore, we believe it is not necessary or appropriate for us to establish a separate performance indicator for preventable and unpreventable errors in OASI.

With respect to errors based on medical factors, we already have a separate performance indicator for Disability Determination Services medical decisional accuracy and do not believe medical accuracy should be part of this measure. Due to the fundamental differences in the decision making process at the initial claims and appeals levels, a combined indicator would result in an inaccurate measure. The separate indicators provide data that is more realistic and useful for managing the disability program. Our position is that the medical improvement review standard and prospective ineligibility are part of the current law, and that payments made in accordance with current law are, by definition, not erroneous. The current law was enacted in the mid-1980s following extensive debate and public comment around these controversial issues and after several years of moratorium on continuing disability reviews.

The legislative history in the area is very clear. Prior to the 1984 amendments, the law had permitted termination of benefits using a standard which included correcting prior error on medical issues. That is, a person could be told he or she was eligible for benefits one day and ineligible the next, without any changes in their medical condition. The new law required the much higher stand of evidence of medical improvement before a termination could be effectuate. The law eliminated what was seen as a kind of double jeopardy. This is especially sensitive issue given the subjective nature of the allow/deny decision and the fact that two adjudicators can reach opposites decisions on the same record.

We will continue to carry the medical decisional accuracy separately as we recognize its strategic importance to the Agency.

The third part of the recommendation calls for SSA to specifically document the error types included each payment accuracy performance indicator. We agree that it is appropriate to have documentation of the types of error included in SSA's payment

accuracy review, and the documentation already exists in SSA's quality assurance manuals. Specifically, the manuals define the specific types of errors that are to be recorded in the review process to measure the percentage of dollars paid that are accurately paid, overpaid or underpaid. Our payment accuracy review system has been audited several times by both GAO and OIG to ensure that it utilizes an appropriate and comprehensive methodology and provides accurate projections of overpayment and underpayment error. In addition our OASDI and SSI payment accuracy (stewardship) reports include the basic types of error that occur, and SSA's APP contains the data definitions of how the error rates are calculated for the payment accuracy performance indicators.

Technical Comments

Page 1 shows two payment accuracy measures for FY 2002, but page 7 references three measures. To be consistent, page 1 should probably show all three measures, and the names of the SSI payment accuracy measures should be cited exactly the way they are printed in the Performance Plan for FY 2003 and Revised Performance Plan for Fiscal Year 2002.

Overview of the Office of the Inspector General

Office of Audit

The Office of Audit (OA) conducts comprehensive financial and performance audits of the Social Security Administration's (SSA) programs and makes recommendations to ensure that program objectives are achieved effectively and efficiently. Financial audits, required by the Chief Financial Officers Act of 1990, assess whether SSA's financial statements fairly present the Agency's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs. OA also conducts short-term management and program evaluations focused on issues of concern to SSA, Congress, and the general public. Evaluations often focus on identifying and recommending ways to prevent and minimize program fraud and inefficiency.

Office of Executive Operations

The Office of Executive Operations (OEO) provides four functions for the Office of the Inspector General (OIG) – administrative support, strategic planning, quality assurance, and public affairs. OEO supports the OIG components by providing information resources management; systems security; and the coordination of budget, procurement, telecommunications, facilities and equipment, and human resources. In addition, this Office coordinates and is responsible for the OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act. The quality assurance division performs internal reviews to ensure that OIG offices nationwide hold themselves to the same rigorous standards that we expect from the Agency. This division also conducts employee investigations within OIG. The public affairs team communicates OIG's planned and current activities and the results to the Commissioner and Congress, as well as other entities.

Office of Investigations

The Office of Investigations (OI) conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement of SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, physicians, interpreters, representative payees, third parties, and by SSA employees in the performance of their duties. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Counsel to the Inspector General

The Counsel to the Inspector General provides legal advice and counsel to the Inspector General on various matters, including: 1) statutes, regulations, legislation, and policy directives governing the administration of SSA's programs; 2) investigative procedures and techniques; and 3) legal implications and conclusions to be drawn from audit and investigative material produced by the OIG. The Counsel's office also administers the civil monetary penalty program.
