



## SOCIAL SECURITY

### MEMORANDUM

Date: February 1, 2006

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process (A-13-05-15027)

The attached final report presents the results of our audit. Our objectives were to determine whether (1) the Social Security Administration's approval process for administrative waivers of \$500 or less safeguarded the integrity of the Old-Age, Survivors and Disability Insurance program and (2) waiver decisions exceeding \$500 were in accordance with Title II of the Social Security Act.

Please provide within 60 days a corrective action plan that addresses 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 black ink, appearing to read "Patrick P. O'Carroll, Jr.".

Patrick P. O'Carroll, Jr.

Attachment

---

**OFFICE OF  
THE INSPECTOR GENERAL**

---

**SOCIAL SECURITY ADMINISTRATION**

---

**THE SOCIAL SECURITY  
ADMINISTRATION'S CONTROLS OVER  
THE OLD-AGE, SURVIVORS AND DISABILITY  
INSURANCE WAIVER APPROVAL PROCESS**

February 2006

A-13-05-15027

---

**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.**

# Executive Summary

---

## OBJECTIVE

Our objectives were to determine whether (1) the Social Security Administration's (SSA) waiver approval process for administrative waivers of \$500 or less safeguarded the integrity of the Old-Age, Survivors and Disability Insurance (OASDI) program and (2) waiver decisions exceeding \$500 were in accordance with Title II of the *Social Security Act*.

## BACKGROUND

SSA administers the OASDI program under Title II of the *Social Security Act*. The OASDI program provides protection against the loss of earnings due to retirement, disability or death. Under the program, benefit payments are provided to qualified retired and disabled workers and their dependents as well as to survivors of insured workers. For the fiscal year ended September 30, 2003, the OASDI program provided benefit payments of approximately \$467.5 billion to 46.9 million beneficiaries.

Payments in an amount greater than the amount to which an individual is entitled are considered overpayments. When an overpayment occurs, Agency policies indicate various actions should be taken to collect the amount overpaid. It is SSA's responsibility to identify the overpayment and pursue recovery of the debt.

Beneficiaries can seek relief from repaying an overpayment by requesting that SSA waive the debt. Generally, SSA policy allows field office personnel to waive recovery of an overpayment if the person is without fault and recovery would "...defeat the purpose of Title II of the [Social Security] Act or be against equity and good conscience."

## RESULTS OF REVIEW

SSA had policies and procedures that provided safeguards for the integrity of the waiver approval process for administrative waivers of \$500 or less. We found SSA generally complied with its policies and procedures for granting these administrative waivers. However, we found some overpayments were waived when there were indications the beneficiaries may have caused the overpayments or the original overpayment exceeded the "administrative tolerance" amount of \$500 established for the waivers. The Agency's waiver approval of these overpayments may not have been appropriate.

Further, we determined SSA generally did not comply with its waiver approval policies and procedures for overpayments exceeding \$500. We found some beneficiaries demonstrated the financial ability to repay portions of the waived debt. The Agency's waiver approval of these overpayments may not have been appropriate. In addition, we

found waivers were granted when it appeared approval decisions did not receive appropriate review, and there was inadequate documentation to support waiver decisions.

We found 94 waivers did not fully comply with Agency policies and procedures. Of the 94, at least 18 waiver approvals may not have been appropriate. Based on the results of our review, we estimate 7,660 waiver approvals totaling approximately \$11.1 million in OASDI overpayments may not have been appropriate.

## **CONCLUSION AND RECOMMENDATIONS**

Generally, SSA complied with its administrative waiver approval policies and procedures for OASDI overpayments of \$500 or less. However, we determined that SSA did not always comply with its waiver approval policies and procedures for overpayments exceeding \$500. SSA needs to ensure adherence to its policies and procedures to prevent the improper waiver of OASDI overpayments. Noncompliance with Agency waiver approval policies and procedures may result in SSA not being able to collect OASDI overpayments that should be collected.

Therefore, for waivers exceeding \$500, we recommend SSA:

1. Alert employees to follow policies and procedures when approving waivers for OASDI overpayments that exceed \$500 regarding decisions of whether beneficiaries are without fault for the overpayment; and recovery of the overpayment would either defeat the purpose of Title II of the *Social Security Act* or be against equity and good conscience.
2. Ensure required secondary peer review and sign-off occurs for waivers of overpayments greater than \$2,000.
3. Remind employees to properly document all waiver approval decisions.
4. Determine whether employee training is needed, and, if so, provide training necessary to ensure compliance with Agency policies and procedures for granting OASDI overpayment waivers for amounts exceeding \$500.

## **AGENCY COMMENTS AND OIG RESPONSE**

SSA generally agreed with our recommendations. The Agency also provided a technical comment that we considered in preparing our final report.

# Table of Contents

---

	Page
<b>INTRODUCTION</b> .....	1
<b>RESULTS OF REVIEW</b> .....	3
SSA Generally Complied with its Policies and Procedures for Granting Administrative Waivers.....	4
• Administrative Waivers Approved Although Some Indication of Fault Existed.....	4
• Administrative Waiver Policies and Procedures Should Not Have Been Used for Some Overpayments .....	4
SSA Generally Did Not Comply with its Policies and Procedures for Granting Waivers for Amounts Exceeding \$500.....	5
• Some Beneficiaries Demonstrated Financial Ability to Repay Portion of Waived Debt.....	6
• Waiver Approvals Lacked Paper Evidence of Required Review.....	6
• Inadequate Documentation to Support Waiver Approvals .....	7
Significant Quantity of Approved Waivers Was Estimated to be Noncompliant with Agency Policies and Procedures.....	7
<b>CONCLUSIONS AND RECOMMENDATIONS</b> .....	9
<b>OTHER MATTER</b> .....	10
<b>APPENDICES</b>	
<b>APPENDIX A</b> – Waiver Approval of Amounts Exceeding \$500	
<b>APPENDIX B</b> – Sampling Methodology and Results	
<b>APPENDIX C</b> – Scope and Methodology	
<b>APPENDIX D</b> – Agency Comments	
<b>APPENDIX E</b> – OIG Contacts and Staff Acknowledgments	

## OBJECTIVE

Our objectives were to determine whether (1) the Social Security Administration's (SSA) approval process for administrative waivers of \$500 or less safeguarded the integrity of the Old-Age, Survivors and Disability Insurance (OASDI) program and (2) waiver decisions exceeding \$500 were in accordance with Title II of the *Social Security Act*.

## BACKGROUND

SSA administers the OASDI program under Title II of the *Social Security Act*. The OASDI program provides protection against the loss of earnings due to retirement, disability or death. Under the program, benefit payments are provided to qualified retired and disabled workers and their dependents as well as to survivors of insured workers.<sup>1</sup> For the fiscal year ended September 30, 2003, the OASDI program provided benefit payments of approximately \$467.5 billion to 46.9 million beneficiaries.<sup>2</sup>

Payments in an amount greater than the amount to which an individual is entitled are considered overpayments. When an overpayment occurs, Agency policies indicate various actions should be taken to collect the amount overpaid. It is SSA's responsibility to identify the overpayment and pursue recovery of the debt.<sup>3</sup>

Beneficiaries can seek relief from repaying an overpayment by requesting that SSA waive the debt. Generally, SSA policy allows field office personnel to waive recovery of an overpayment if the person is without fault and recovery would "...defeat the purpose of Title II of the [Social Security] Act or be against equity and good conscience."<sup>4</sup> See Appendix A for more information.

SSA procedures require that field office personnel consider all circumstances surrounding an overpayment before granting a waiver.<sup>5</sup> When a waiver is approved, SSA no longer has the right to recover the debt from any other individual unless there is a jointly liable person from whom recovery has not been waived. Once a person is relieved of primary or joint liability, the overpayment cannot be reinstated.<sup>6</sup> Therefore, SSA no longer has the right to recover these overpayments.

---

<sup>1</sup> Social Security Act § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

<sup>2</sup> SSA Performance and Accountability Report FY 2003.

<sup>3</sup> Social Security Act § 204, 42 U.S.C. § 404.

<sup>4</sup> 20 C.F.R. § 404.506; see also Program Operations Manual System (POMS), section GN 02250.001.

<sup>5</sup> POMS, section GN 02250.005.

<sup>6</sup> POMS, section GN 02250.360.

We obtained an August 2004<sup>7</sup> electronic data extract of 110,847 waiver approvals recorded in the Master Beneficiary Record during the period September 20, 2002 through September 23, 2003. This data extract represented about \$249 million in OASDI overpayments. From this data extract, we selected the 10 highest dollar-value waiver approvals that ranged from \$97,205 to \$99,999.<sup>8</sup> These waivers totaled approximately \$989,600. From the remaining population of 110,837 waiver approvals, we randomly selected 250 waivers. Of the 250 waiver approvals, 125 were for amounts of \$500 or less and 125 were for amounts exceeding \$500. Consequently, our review included 135 waiver approval decisions for amounts exceeding \$500. We examined the randomly selected 250 overpayment waiver approvals to provide statistically valid projections. In addition, we discuss our findings for the 10 highest dollar amounts for overpayments SSA waived. See Appendix B for our sampling methodology and results.

---

<sup>7</sup> The data extract was obtained from the Social Security records as of August 12, 2004.

<sup>8</sup> At the time of our review, SSA's Master Beneficiary Record limited this field to five positions.



## Results of Review

---

SSA had policies and procedures that provided safeguards for the integrity of the waiver approval process for administrative waivers of \$500 or less. During our audit, we found SSA generally complied with its policies and procedures for granting such waivers for 112 of 121 (about 93 percent) of the waivers we reviewed. However, we found some overpayments were waived when there were indications the beneficiaries may have caused the overpayments or the original overpayment exceeded the “administrative tolerance”<sup>9</sup> amount of \$500 established for the waivers. The Agency’s waiver approval of these overpayments may not have been appropriate.

Further, we determined SSA generally did not comply with its waiver approval policies and procedures for overpayments exceeding \$500. During our audit, we found SSA did not fully comply with its policies and procedures for granting such waivers for 85 of 129 (about 66 percent) of the waivers we reviewed. We found some beneficiaries demonstrated the financial ability to repay portions of the waived debt. The Agency’s waiver approval of these overpayments may not have been appropriate. In addition, we found waivers were granted when it appeared approval decisions did not receive appropriate review, and approvals lacked appropriate documentation to support approval decisions.

Based on the results of our review of 250 waiver approvals, we found 94 waivers did not fully comply with Agency policies and procedures. Of the 94, at least 18 waiver approvals may not have been appropriate. We estimate 7,660 waiver approvals, totaling approximately \$11.1 million in OASDI overpayments, may not have been appropriate.<sup>10</sup> One of the 18 was included in the 10 highest dollar amount waiver approvals we reviewed. For this one waiver, we found the Agency did not pursue \$9,370 available for collection. Since the Agency did not pursue collection of these available funds, SSA’s actions did not comply with its policies and procedures.<sup>11</sup>

---

<sup>9</sup> Administrative tolerance refers to the maximum dollar value allowed for administrative waiver.

<sup>10</sup> This is an estimate for approved OASDI overpayment waivers recorded in the Master Beneficiary Record from September 20, 2002 to September 23, 2003, for amounts less than \$97,205. This estimate is based on 250 randomly selected waiver approvals and excludes the 10 highest dollar-value waiver approvals, which ranged from \$97,205 to \$99,999. Therefore, the estimate is based on 17 waiver approvals that may not have been appropriate and excludes 1 waiver approval for an amount greater than \$97,205 (see Appendix B). We believe this is a conservative estimate.

<sup>11</sup> POMS, section GN 02250.115.

## SSA GENERALLY COMPLIED WITH ITS POLICIES AND PROCEDURES FOR GRANTING ADMINISTRATIVE WAIVERS

Agency policy indicates when a liable person requests an overpayment waiver and the total amount of that person's liability is \$500 or less, recovery of the overpayment will be waived because it would impede the efficient administration of the *Social Security Act* "...unless there is some indication that the person may not be without fault."<sup>12</sup> SSA classifies overpayment waivers involving an amount less than or equal to \$500 as an administrative waiver. Of the 260 waiver approvals included in our review, 125 were administrative waivers. We requested information about the waiver approval decisions from SSA. The Agency provided data for 121 administrative waivers.<sup>13</sup>

Generally, we found administrative waiver approvals complied with Agency policies and procedures. Of the 121 administrative waiver approvals we examined, 112 complied with SSA policies and procedures. The remaining nine, totaling approximately \$2,200, did not comply with Agency policies and procedures. For these nine, we found some overpayments were waived when the beneficiary may have caused the overpayment or the original overpayment exceeded the \$500 administrative waiver amount. The Agency's waiver approval of these overpayments may not have been appropriate.

---

### Administrative Waivers Approved Although Some Indication of Fault Existed

---

We found the Agency approved some administrative waivers although the beneficiaries may have caused the overpayment. Based on our discussions with representatives from SSA's Office of Income Security Policy, before granting an administrative waiver, there should not be any indication that the person requesting the waiver was at fault for causing the overpayment. Of the nine administrative waiver approvals that did not comply with SSA policies and procedures, five had some indication the beneficiaries may have been at fault for causing the overpayments. The causes of the overpayments included an unreported marriage, earnings, duplicate monthly payments, and a minor child no longer in a parent's care. The approved waiver amounts totaled about \$950.

---

### Administrative Waiver Policies and Procedures Should Not Have Been Used for Some Overpayments

---

Of the nine administrative waiver approvals that did not comply with Agency policies and procedures, four were not appropriate because the initial overpayment amounts exceeded \$500. The four initial overpayments were \$5,425, \$2,589, \$1,338, and \$759. However, at the time of our review, portions of the overpayments had been repaid to SSA. These repayments reduced each of the four overpayment amounts to less than \$500. As a result, at the time of our review, the waivers for the four overpayments totaled about \$1,280.

---

<sup>12</sup> POMS, section GN 02250.350.

<sup>13</sup> Since the Agency did not provide us the requested data, we were unable to determine whether SSA complied with its waiver approval policies and procedures for the four administrative waivers. No further review of these waivers occurred.

We found the Agency did not always follow its policies and procedures for approving waivers for overpayments that originally exceeded the \$500 administrative tolerance<sup>14</sup> amount. The Agency's ability to apply the \$500 tolerance depends on the total amount of a person's liability. If an overpayment of more than \$500 has been reduced to \$500 or less by repayment, the administrative waiver policies and procedures do not apply.<sup>15</sup> Consequently, the four waiver approvals may have been inappropriate since the original overpayment amount exceeded \$500. The Agency should not have applied its administrative waiver policies and procedures to these overpayments.

### **SSA GENERALLY DID NOT COMPLY WITH ITS POLICIES AND PROCEDURES FOR GRANTING WAIVERS FOR AMOUNTS EXCEEDING \$500**

Our review included 135 waiver approval decisions for amounts exceeding \$500. We randomly selected 125 waiver approvals for projection purposes, and we reviewed the 10 highest dollar amounts for overpayments SSA waived. We requested the Agency provide documentation to support these waiver approval decisions. In response to our request, the Agency provided us data for 129 waiver approvals.<sup>16</sup> Agency policy indicated that, before approving a waiver request for an overpayment amount exceeding \$500, the Agency must determine whether (1) a person is without fault and (2) recovery would either "...defeat the purpose of [Title II of the Social Security] Act or be against equity and good conscience."<sup>17</sup> See Appendix A for specific details.

Generally, we found the waiver approval decisions did not comply with Agency policies and procedures. Of the 129 waiver approvals we examined, 85 (about 66 percent) did not comply with SSA policies and procedures. We found waiver approvals totaling about \$842,000 were granted when it appeared individuals were able to repay a portion of the debt. The Agency's waiver approval of these overpayments may not have been appropriate. In addition, we found waivers were granted when it appeared approval decisions did not receive appropriate review, and approvals lacked appropriate documentation to support approval decisions.

---

<sup>14</sup> *Id.*

<sup>15</sup> *Id.*

<sup>16</sup> Since the Agency did not provide us the requested data, we were unable to determine whether SSA complied with its waiver approval policies and procedures for the six waivers. No further review of these waivers occurred.

<sup>17</sup> POMS, section GN 02250.001.

---

**Some Beneficiaries Demonstrated Financial Ability to Repay Portion of Waived Debt**

---

We found SSA waived some overpayments when beneficiaries demonstrated the financial ability to repay a portion of the waived debt. Of the 85 waiver approvals that did not comply with SSA policies and procedures, 9 individuals demonstrated the financial ability to repay portions of the debt the Agency waived. The Agency's waiver approval for these overpayments may not have been

appropriate.

Of the nine, SSA determined eight individuals' monthly incomes exceeded their monthly expenses. These eight waivers totaled approximately \$31,500. For another individual, the Agency waived the entire overpayment of about \$100,000 when there were assets available to repay at least \$9,370 of the debt. The Agency chose not to pursue these assets.

SSA is required to consider a beneficiary's financial ability to repay a debt before approving an overpayment waiver request. The Agency reviews a beneficiary's monthly income compared to monthly expenses. Further, the Agency is required to determine whether the beneficiary has any assets available to liquidate the debt. The beneficiary's adjusted household expense is compared to the beneficiary's monthly income to determine whether the beneficiary has the financial ability to repay the debt.<sup>18</sup> (see Other Matter).

In addition, the Agency evaluates a beneficiary's assets that could be used to reduce the overpayment when determining the beneficiary's financial ability to repay the debt. For instance, recovery of an overpayment would "defeat the purpose of Title II of the *Social Security Act*" if assets are reduced to below \$3,000 for a person without dependents or below \$5,000 for a person with one dependent, plus \$600 for each additional dependent.<sup>19</sup>

---

**Waiver Approvals Lacked Paper Evidence of Required Review**

---

During our audit, we found waiver approvals for overpayments greater than \$2,000 lacked paper evidence that the decision was reviewed as required. SSA policy states "If the amount for which the person is liable is over \$2,000, the decision must be reviewed by the decision maker's peer in the... [field office] before notice is sent to the person."<sup>20</sup> Of the 85 waiver approvals that did not comply with SSA policies and procedures, 10 did not have paper evidence that appropriate review by the decisionmaker's peer occurred. These waiver approvals totaled about \$77,000.

In one instance, we identified an SSA employee who had approved a waiver of over \$16,000. This employee had the same surname as the numberholder. After our review, we notified our Office of Investigations. The investigation determined that there

---

<sup>18</sup> POMS, section GN 02250.115.

<sup>19</sup> *Id.*

<sup>20</sup> POMS, section GN 02250.301 B.3.

was no relationship between the SSA employee and the claimant, and no apparent collusion in the application of the waiver. The case was referred to the Agency for administrative action based upon the employee's failure to follow POMS.

---

**Inadequate  
Documentation to  
Support Waiver  
Approvals**

---

We found overpayments exceeding \$500 were waived without documentation to support the waiver approvals. Form SSA-632-BK, *The Request for Waiver of Overpayment Recovery or Change in Repayment Rate*, is used to gather information to support an overpayment waiver approval. The

Form documents:

- how the overpayment occurred;
- whether the waiver requestor was at fault for causing the overpayment; and
- whether the waiver requestor has the financial ability to repay the overpayment.

Of the 85 waiver approvals that did not comply with SSA policies and procedures, we found 66 had inadequate documentation to support the waiver approvals. There is inadequate documentation to support waiver approvals for approximately \$724,000 in overpayments. Consequently, we are unable to determine whether the Agency properly approved these waived OASDI overpayments. We found the Forms SSA-632-BK were missing; income was not always verified; and some expenses were not reviewed. As a result, we were unable to assess the Agency's decisions about individuals being without fault or lacking financial ability to repay the overpayments.

### **SIGNIFICANT QUANTITY OF APPROVED WAIVERS WAS ESTIMATED TO BE NONCOMPLIANT WITH AGENCY POLICIES AND PROCEDURES**

We discussed the results of our review with Agency representatives. We received 250 of the 260 waiver approvals we requested. Consequently, we were unable to determine whether SSA complied with its waiver approval policies and procedures for these 10 waivers.<sup>21</sup>

For the 250 waiver approvals received, Agency representatives were informed 94 (totaling about \$844,200) did not comply with SSA's policies and procedures. These waivers included nine administrative waivers totaling about \$2,200 where there were indications the beneficiaries may have been at fault for causing the overpayments or the original overpayment exceeded the \$500 administrative tolerance amount. In addition, we discussed the 85 waivers involving amounts that exceeded \$500 where some beneficiaries demonstrated the financial ability to repay portions of the waived debt, waiver approvals lacked paper evidence of required review, and there was inadequate documentation to support waiver decisions. These waivers totaled about \$842,000. The Agency representatives concurred with the results of our examination of the OASDI overpayment waivers.

---

<sup>21</sup> We did not determine why the Agency was unable to provide us with the 10 case folders.

Of the 94, at least 18 waiver approvals may not have been appropriate. We estimate 7,660 waiver approvals, totaling approximately \$11.1 million in OASDI overpayments, may not have been appropriate. One of the 18 was included in the 10 highest dollar amount waiver approvals we reviewed. For this one waiver, we found the Agency did not pursue \$9,370 available for collection. Since the Agency did not pursue collection of these available funds, SSA's actions did not comply with its policies and procedures.<sup>22</sup> Because SSA approved the waivers for all liable individuals, the OASDI overpayments cannot be reinstated. Therefore, the Agency no longer has the right to recover any of the debt associated with these overpayments.

---

<sup>22</sup> *Id.*

# Conclusions and Recommendations

---

Beneficiaries can seek relief from repaying an overpayment by requesting that SSA waive the debt. Once a person is relieved of primary or joint liability, the overpayment cannot be reinstated.<sup>23</sup> Therefore, SSA no longer has the right to recover these overpayments.

Generally, SSA complied with its administrative waiver approval policies and procedures for OASDI overpayments of \$500 or less. However, we determined that SSA did not always comply with its waiver approval policies and procedures for overpayments exceeding \$500. SSA needs to ensure adherence to its policies and procedures to prevent the improper waiver of OASDI overpayments. Noncompliance with Agency waiver approval policies and procedures may result in SSA not being able to collect OASDI overpayments that should be collected.

Therefore, for waivers exceeding \$500, we recommend SSA:

1. Alert employees to follow policies and procedures when approving waivers for OASDI overpayments that exceed \$500 regarding decisions of whether beneficiaries are without fault for the overpayment; and recovery of the overpayment would either defeat the purpose of Title II of the *Social Security Act* or be against equity and good conscience.
2. Ensure required secondary peer review and sign-off occurs for waivers of overpayments greater than \$2,000.
3. Remind employees to properly document all waiver approval decisions.
4. Determine whether employee training is needed, and, if so, provide training necessary to ensure compliance with Agency policies and procedures for granting OASDI overpayment waivers for amounts exceeding \$500.

## AGENCY COMMENTS AND OIG RESPONSE

SSA generally agreed with our recommendations. The Agency also provided a technical comment that we considered in preparing our final report. The full text of the Agency's comments is included in Appendix D.

---

<sup>23</sup> POMS, section GN 02250.360.

## Other Matter

---

SSA is required to consider a beneficiary's financial ability to repay a debt before approving an overpayment waiver request. The Agency reviews a beneficiary's monthly income compared to monthly expenses. Further, the Agency is required to determine whether the beneficiary has any assets available to liquidate the debt.<sup>24</sup>

When comparing a beneficiary's monthly income to the household's monthly expenses, the Agency established a \$25 margin to account for a household's unbudgeted or unaccountable expenses. The term "\$25 margin" denotes an allowance for an expense not accounted for in any expense category. The \$25 margin is added to the household's monthly accountable expenditures. The sum of the margin and household monthly expenditures is the "adjusted household expense." The adjusted household expense is compared to the beneficiary's monthly income to determine whether the beneficiary has the financial ability to repay the debt.<sup>25</sup>

The Agency may want to review the established \$25 threshold it uses as the allowance for expenses not accounted for in any expense category. SSA may want to consider various factors to determine whether this amount should be adjusted.

---

<sup>24</sup> POMS, section GN 02250.115.

<sup>25</sup> *Id.*



# *Appendices*

---

## **Waiver Approval of Amounts Exceeding \$500**

Agency policy indicated that, before approving a waiver request for an overpayment amount exceeding \$500, the Agency must determine whether (1) a person is without fault and (2) recovery would either “defeat the purpose of [Title II of the Social Security] Act or be against equity and good conscience.”<sup>1</sup>

### **Without Fault**

Without fault is found if the person was blameless in creating the overpayment. An individual is expected to exercise a high degree of care in preventing an overpayment. Any individual who demonstrates either a lack of good faith or failure to exercise a high degree of care in reporting circumstances that may affect entitlement to, or the amount of, benefits will be found at fault for the overpayment.<sup>2</sup>

### **Defeat the Purpose of Title II of the *Social Security Act***

“Recovery of an overpayment will defeat the purpose of Title II of the Social Security Act if recovery would deprive a person of income required for ordinary and necessary living expenses.”<sup>3</sup> Also, recovery of an overpayment would defeat the purpose of Title II of the *Social Security Act* to the extent the person does not have any of the overpaid funds in his possession when notified of the overpayment and the person receives cash public assistance or needs substantially all current income to meet ordinary and necessary living expenses and recovery would reduce assets below specific limits.<sup>4</sup>

---

<sup>1</sup> Program Operations Manual System (POMS), section GN 02250.001.

<sup>2</sup> POMS, section GN 02250.005.

<sup>3</sup> POMS, section GN 02250.100.

<sup>4</sup> *Id.*

## **Against Equity and Good Conscience**

Recovery of an overpayment would be considered against equity and good conscience if a beneficiary, "...relying on benefit payments or notice that such payments would be made, relinquished a valuable right or changed his/her position for the worse; a contingently liable beneficiary was living in a separate household from the overpaid person at the time of the overpayment and did not receive the overpayment; or benefits are not available to reduce or eliminate amounts incorrectly paid solely because of the application filing requirements."<sup>5</sup>

---

<sup>5</sup> POMS, section GN 02250.150.

## Sampling Methodology and Results

<b>SAMPLE POPULATION FROM THE MASTER BENEFICIARY RECORD September 20, 2002 THROUGH September 23, 2003</b>		
Strata	Waiver Approvals	Dollar Amount
\$500 or Less	71,762	7,648,183
Exceeding \$500	39,075	240,645,051
Total	110,837	248,293,234

We selected a random sample of 250 waiver approvals from the Master Beneficiary Records from September 20, 2002 to September 23, 2003. We selected 125 waiver approvals where the amount was \$500 or less and 125 items where the waiver approvals exceeded \$500.

We also selected the highest 10 dollar waiver approval decisions which ranged from \$97,205 to \$99,999.<sup>1</sup>

<b>Stratified Attribute Appraisal: Overpayment Waiver Approvals That May Not Have Been Appropriate Under \$97,205</b>	
Total Population	110,837
Sample Size	250
Number of Inappropriate Waiver Approvals	17
Projection of Inappropriate Waiver Approvals in Population:	
Lower Limit	4,588
Point Estimate	7,668
Upper Limit	10,747

We made all projections at the 90-percent confidence level.

<sup>1</sup> At the time of our review, SSA's Master Beneficiary Record limited this field to five positions.

**Stratified Variable Appraisal: Overpayment Waiver Approvals That May Not Have Been Appropriate Under \$97,205**

Total Population	110,837
Total Sample Size	250
Total Dollars of Inappropriate Waiver Approvals in Sample	\$33,755
Projected Value of Inappropriate Waiver Approvals:	
Lower Limit	3,348,844
Point Estimate	11,137,095
Upper Limit	18,925,345

We made all projections at the 90-percent confidence level.

**Overpayment Waiver Approvals That May Not Have Been Appropriate \$97,205 and Above**

Total Population	10
Number Reviewed	10
Number of Inappropriate Waiver Approvals	1
Total Dollars of Inappropriate Waiver Approvals	\$9,370

# Scope and Methodology

To accomplish our objectives, we:

- Reviewed applicable Federal laws and regulations governing overpayment waivers under Title II of the *Social Security Act*.
- Reviewed the Social Security Administration's (SSA) policies and procedures related to the waiver approval process.<sup>1</sup>
- Reviewed prior Office of the Inspector General reports.
- Obtained an August 2004<sup>2</sup> electronic data extract of 110,847 waiver approvals recorded in the Master Beneficiary Record during the period September 20, 2002 through September 23, 2003. This data extract represented about \$249 million in OASDI overpayments. From this data extract, we selected the 10 highest dollar-value waiver approvals which ranged from \$97,205 to \$99,999.<sup>3</sup> These waivers totaled approximately \$989,600. From the remaining population of 110,837, we randomly selected 250 waivers. Of the 250 waiver approvals, 125 were for amounts of \$500 or less and 125 waiver approvals for amounts exceeding \$500. Consequently, our review included 135 waiver approval decisions for amounts exceeding \$500. We examined the randomly selected 250 overpayment waiver approvals to provide statistically valid projections. In addition, we discuss our findings for the 10 highest dollar amounts for overpayments SSA waived. See Appendix B.

We concluded the electronic data used in our audit were sufficiently reliable, given the audit objectives and intended use of the data, and should not lead to incorrect or unintentional conclusions. We assessed the reliability of the electronic data by requesting SSA field office staff confirm specific data fields from the Master Beneficiary Records including beneficiaries name, beneficiaries' Social Security number, and dollar amounts waived. We also conducted detailed audit testing on selected data elements from the electronic files.

We performed our review at SSA's Headquarters in Baltimore, Maryland. The entity reviewed was the Office of the Deputy Commissioner for Operations. We performed our review from November 2004 through May 2005 in accordance with generally accepted government auditing standards.

---

<sup>1</sup> Program Operations Manual System, section GN 02200.

<sup>2</sup> The data extract was obtained from the Social Security records as of August 12, 2004.

<sup>3</sup> At the time of our review, SSA's Master Beneficiary Record limited this field to five positions.

## Agency Comments



## SOCIAL SECURITY

### MEMORANDUM

**Date:** January 13, 2006 **Refer To:** S1J-3

**To:** Patrick P. O'Carroll, Jr.  
Inspector General

**From:** Larry W. Dye /s/  
Chief of Staff

**Subject:** Office of the Inspector General (OIG) Draft Report "The Social Security Administration's Controls over the Old-Age, Survivors and Disability Insurance Waiver Approval Process" (A-13-05-15027) -- INFORMATION

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

Please let me know if we can be of further assistance. Staff inquiries may be directed to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Attachment:  
SSA Response



**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER THE OLD-AGE, SURVIVORS AND DISABILITY INSURANCE WAIVER APPROVAL PROCESS" (A-13-05-15028)**

Thank you for the opportunity to review and comment on the draft report. We agree with the intent of the report and its recommendations.

Since the implementation of the Debt Management System (DMS) in 1988, SSA has instituted a systems safeguard that requires a second personal identification number (PIN) entry (2-PIN Process) for waivers of Title 2 (T2) overpayments that exceed the tolerance amount. In an effort to continue to protect SSA programs, we periodically issue program circulars or produce resource and desk guides to assist field employees with the proper documentation requirements. In addition, several workgroups or workshops have been conducted to develop ways to further emphasize the proper processing of T2 waivers, proper screen completion (Remarks) and proper documentation. Many of the desk guides that are posted to the "T2 Resource Kits" on the Agency's Intranet site (such as the *T2 Waiver Process Handbook* done by the Philadelphia Region in December 2004 and the *DMS Processing Guide* that was last updated in April 2005) are a direct result of these workshops.

SSA's most recent emphasis, however, has been to provide training in the processing of Title 16 (T16) overpayment waivers. The 2-PIN Process was instituted for Title 16 on April 24, 2004. To assist technicians, as we make steady progress toward a fully electronic folder system, we will continue to issue reminders on the policies and procedures for processing both T2 and T16 overpayments, focusing on the proper paper documentation requirements.

We take issue with the findings as presented on page 4 of the draft under the section, "Administrative Waivers Approved Although Indication of Fault Existed." Per GN 02250.350, "If there is an indication that the person may be at fault in causing the overpayment, the tolerance cannot be used." Therefore, whenever an overpayment is within the tolerance, we do not develop fault unless there is a strong indication that the individual is probably at fault. While we agree that duplicate check negotiations would strongly indicate the person would be at fault, the other examples given in the report (unreported marriage, earnings, and a minor child no longer in a parent's care) do not of themselves strongly indicate fault. Only through further development could we discern an indicator of fault. Since we should not routinely develop waiver issues for overpayments that impede efficient administration of the Social Security Act, it does not appear that the cited examples present situations where waiver under the tolerance was inappropriate.

Our specific responses to the report's recommendations are provided below.

**Recommendation 1**

Alert employees to follow policies and procedures when approving waivers for Old-Age, Survivors and Disability Insurance (OASDI) overpayments that exceed \$500 regarding decisions of whether beneficiaries are without fault for the overpayment; and recovery of the overpayment would either defeat the purpose of Title II of the Social Security Act or be against equity and good conscience.

Response:

We agree. We will issue a reminder in the form of an Administrative Message and will request that the Office of Training present it during one of the transmittal training broadcast sessions no later than March 2006.

**Recommendation 2**

Ensure required secondary peer review and sign-off occurs for waivers of overpayments greater than \$2,000.

Response:

Based on the discussion of this issue during the entrance conference, it is only the paper documentation that lacked a “second signature” review based on the amount of overpayment. When a waiver approval is input into the Debt Management System (DMS), the program looks at the amount of the overpayment. If the debt amount is greater than \$2,000, the DMS holds the transaction until the Review Waiver Disposition (DRWR) is completed. Therefore, all of the waivers posted to the Recovery of Overpayments, Accounting and Reporting (ROAR) system obtained a “second PIN” signature signifying that the second review had been completed. However, in the administrative message addressing Recommendation 1 above, we will also remind the field offices that the secondary peer reviewer also needs to sign the SSA-635 Waiver Determination to ensure proper documentation.

**Recommendation 3**

Remind employees to properly document all waiver approval decisions.

Response:

We agree. We will issue a reminder by March 2006.

**Recommendation 4**

Determine whether employee training is needed, and, if so, provide training necessary to ensure compliance with Agency policies and procedures for granting OASDI overpayment waivers for amounts exceeding \$500.

Response:

We agree. We will encourage employees to review the training material already available such as the T2 resource kits, DMS desk aids, and to conduct refresher training as needed.

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

Shirley E. Todd, Director, General Management Audit Division (410)-966-9365

Brian Karpe, Audit Manager, (410) 966-1029

### ***Acknowledgments***

In addition to those named above:

Janet Stein-Pezza, Analyst-in-Charge

Chad Kardian, Auditor

Kim Beauchamp, Writer-Editor

Brennan Kraje, Statistician

For additional copies of this report, please visit our web site at [www.socialsecurity.gov/oig](http://www.socialsecurity.gov/oig) or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-13-05-15027.

## **DISTRIBUTION SCHEDULE**

Commissioner of Social Security

Office of Management and Budget, Income Maintenance Branch

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Subcommittee on Human Resources

Chairman and Ranking Minority Member, Committee on Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Government Reform and Oversight

Chairman and Ranking Minority Member, Committee on Governmental Affairs

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging  
Social Security Advisory Board

# **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Resource Management (ORM). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

## **Office of Audit**

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

## **Office of Investigations**

OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

## **Office of the Chief Counsel to the Inspector General**

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

## **Office of Resource Management**

ORM supports OIG by providing information resource management and systems security. ORM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, ORM is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.