
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**COLLECTION OF OLD-AGE,
SURVIVORS AND DISABILITY
INSURANCE OVERPAYMENTS TO
REPRESENTATIVE PAYEES FOR
DECEASED BENEFICIARIES**

July 2004

A-13-03-13049

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.



SOCIAL SECURITY

MEMORANDUM

Date: July 21, 2004

Refer


To: The Commissioner

From: Acting Inspector General

Subject: Collection of Old-Age, Survivors and Disability Insurance Overpayments to Representative Payees for Deceased Beneficiaries (A-13-03-13049)

The attached final report presents the results of our audit. Our objective was to assess the effectiveness of the Social Security Administration's Old-Age, Survivors and Disability Insurance overpayment collection efforts for payments issued to representative payees after the beneficiary's death. We also reviewed overpayments made to these same representative payees before the beneficiary's death.

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.


Patrick P. O'Carroll, Jr.

Attachment

Executive Summary

OBJECTIVE

Our objective was to assess the effectiveness of the Social Security Administration's (SSA) Old-Age, Survivors and Disability Insurance (OASDI) overpayment collection efforts for payments issued to representative payees after the beneficiary's death. We also reviewed overpayments made to these same representative payees before the beneficiary's death.

BACKGROUND

Under the Old-Age and Survivors Insurance program, monthly benefits are paid to retired workers and their families and to survivors of deceased workers. Under the Disability Insurance program, monthly benefits are paid to medically disabled workers and to the families of the disabled workers. For individuals who are unable to manage or direct the management of their finances because of their youth or mental and/or physical impairments, Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments. Payments in an amount greater than the amount to which an individual is entitled are considered overpayments. When overpayments occur, 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. From January 1996 through December 2002, OASDI overpayments made to representative payees for deceased beneficiaries totaled about \$77 million.

RESULTS OF REVIEW

SSA has used debt collection tools to recover millions in OASDI overpayments from beneficiaries. However, we found SSA did not refer delinquent OASDI representative payee overpayment debts to the Department of the Treasury's (Treasury) Financial Management Service (FMS). Additionally, SSA was not reporting this type of delinquent debt to credit bureaus. Moreover, the Agency has established overpayment control records for individual representative payees where payment of more than the correct amount is made after the beneficiary's death, as required by law. However, the Agency has not established overpayment control records for organizational representative payees. Further, the Agency has not linked these control records to its debt collection system.

CONCLUSION AND RECOMMENDATIONS

SSA can improve its debt collection efforts for OASDI overpayments made to representative payees for deceased beneficiaries. Collection of delinquent representative payee debt could be improved if the Agency refers this debt to Treasury's FMS and uses credit bureau reporting. Also, the use of overpayment control

records should make possible the recording and reporting of OASDI debt of representative payees to Treasury and enable the use of credit bureau reporting. If SSA does not improve its debt collection efforts for representative payees, delinquent OASDI debts will continue to rise.

We recommend that SSA:

- Identify and refer all eligible delinquent representative payees' OASDI overpayment debts to Treasury's FMS for tax refund and administrative offset.
- Determine whether the representative payee OASDI delinquent overpayment debt information is appropriate for credit bureau reporting. If determined to be cost-beneficial, implement the process.
- Improve the Representative Payee System to link the overpayment control records of all representative payees to its External Collection Operation to assist in debt collection.
- Determine whether individual representative payees with delinquent OASDI overpayment debts should continue to be representative payees.
- Determine whether organizational representative payees with delinquent OASDI overpayment debts should continue or become future representative payees.
- Determine whether it is cost-beneficial to link the overpayment control record of the representative payee to their future master beneficiary or supplemental security record. If determined to be cost-beneficial, implement the process.

AGENCY COMMENTS

SSA agreed with five of our six recommendations, but agreed in part with our third recommendation. SSA stated that there is currently a link between the Representative Payee System and the Master Beneficiary Record, which identifies to the Representative Payee System any representative payee record where an overpayment has been established. However, SSA is taking action on all our recommendations. The text of SSA's comments is included in Appendix E.

OIG RESPONSE

Although SSA agreed in part with Recommendation 3, the Agency stated, it "...will address the feasibility of creating an interface between the Representative Payee System and the Non-Entitled Debtors during the design stage." SSA's actions are responsive to the intent of our recommendation. The Agency also provided "technical" comments. We agree, in part, with these comments and have made the appropriate changes as applicable.

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OBJECTIVE

Our objective was to assess the effectiveness of the Social Security Administration's (SSA) Old-Age, Survivors and Disability Insurance (OASDI) overpayment collection efforts for payments issued to representative payees after the beneficiary's death. We also reviewed overpayments made to these same representative payees before the beneficiary's death.¹

BACKGROUND

Under the Old-Age and Survivors Insurance program, monthly benefits are paid to retired workers and their families and to survivors of deceased workers. Under the Disability Insurance program, monthly benefits are paid to medically disabled workers and to the families of the disabled workers. For individuals who are unable to manage or direct the management of their finances because of their youth or mental and/or physical impairments, Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries' payments. Payments in an amount greater than the amount to which an individual is entitled are considered overpayments. When overpayments occur, Agency policies require appropriate actions be taken to collect the amount overpaid. It is SSA's responsibility to identify the overpayment and pursue recovery of the debt. From January 1996 through December 2002, OASDI overpayments made to representative payees for deceased beneficiaries totaled about \$77 million.

Depending on when the overpayment occurs, the beneficiary or the representative payee is responsible for repayment. Beneficiaries are liable if they were unjustly enriched at the trust fund's expense. However, beneficiaries are not liable if their representative payees use incorrect payments for purposes other than the beneficiaries' needs.² The representative payee is solely liable for repayment if either the incorrect benefits were not used to support and maintain the beneficiary or the representative payee caused the overpayment. Further, if payments are issued to a representative payee after the beneficiary's death, the representative payee is overpaid and is solely liable. Therefore, the Agency will attempt recovery from the representative payee.

When overpayments occur, SSA must notify the debtors of the reasons for, and the amounts of, the overpayments and their liability for repayment.³ A notice is issued when an overpayment is detected. The notice explains the right to reconsideration of the overpayment, the right to request a waiver of recovery, and provides the debtor an opportunity to present evidence that the debt is either not past due or not legally enforceable. The notice identifies various methods for repaying the overpayment. If the

¹ For this report, the term "beneficiary" denotes individuals who receive benefits from the OASDI program.

² Program Operations Manual System (POMS), GN 02205.007.

³ POMS, GN 02201.009.

Agency does not receive refunds of the overpaid amounts within 30 days, the notice states an automatic reduction will occur in amounts paid to beneficiaries in current pay status.

For individuals not currently receiving benefit payments, the Agency uses the Recovery and Collection of Overpayments Process⁴ to collect the overpayments. Such individuals are billed for overpayments and may choose to repay the debt as either a single payment or monthly installments.

If debtors become delinquent⁵ in making either a single payment or an installment payment, additional actions may be taken to collect the debt. For example, the Agency will report debts that are “unrecoverable”⁶ to credit bureaus. Further, SSA’s External Collection Operation automated system transmits information on debt more than 180 days delinquent to the Department of the Treasury (Treasury) for collection using its Treasury Offset Program (TOP).⁷

TOP is a program whereby Federal payments are reduced or “offset” to satisfy a person’s overdue Federal debt, child support obligation, or State income tax debt. The program encompasses tax refund and administrative offsets (see Appendix B for additional Background, Scope and Methodology).

⁴ The Recovery and Collection of Overpayments Process is a billing and follow-up system. This system is responsible for all “billable” overpayments issued under the OASDI and Supplemental Security Income programs.

⁵ 31 Code of Federal Regulations (C.F.R.) § 900.2(b) defines delinquent debt as a debt that “...has not been paid by the date specified in the agency’s initial written demand for payment or applicable agreement or instrument (including a post-delinquency payment agreement), unless other satisfactory payment arrangements have been made.” Treasury’s Financial Management Service Instructional Workbook for Preparing the *Report on Receivables Due from the Public*, August 2000, page 45, states that delinquency would also occur if, at anytime thereafter, the debtor fails to satisfy the obligations under the payment arrangement with the creditor agency.

⁶ POMS, GN 02201.031 states that SSA considers a OASDI debt to be unrecoverable if (1) the Recovery and Collection of Overpayment Process billing status is past-due or later, or the debt has been written off as uncollectible; (2) SSA has not entered into an installment agreement with the debtor, or the debtor has failed to make any payment for two consecutive months; (3) No appeal/waiver request is pending; and (4) the debtor is a former beneficiary.

⁷ The Debt Collection Improvement Act of 1996, Public Law No. 104-134, Title III, Chapter 10, § 31001; See 31 U.S.C. §3711(g).

Results of Review

SSA has used debt collection tools to recover millions in OASDI overpayments from beneficiaries. However, we found SSA did not refer delinquent OASDI representative payee overpayment debts to the Treasury's Financial Management Service (FMS). Additionally, SSA was not reporting this type of delinquent debt to credit bureaus. Moreover, the Agency has established overpayment control records for individual representative payees where payment of more than the correct amount is made after the beneficiary's death, as required by law. However, the Agency has not established overpayment control records for organizational representative payees. Further, the Agency has not linked these control records to its debt collection system.

SSA EFFORTS ARE RESULTING IN THE COLLECTION OF OASDI OVERPAYMENTS

SSA efforts have resulted in the collection of substantial amounts of OASDI overpayments from beneficiaries. During the 1990s, SSA began using Treasury's Tax Refund Offset (TRO) program⁸ to collect delinquent OASDI repayments. In Calendar Year 1992, SSA used TRO to collect over \$50 million from beneficiaries for OASDI overpayments.

In 1998, SSA began referring debt to Treasury's FMS for collection by tax refund and administrative offset. FMS, a bureau within Department of the Treasury, assists Federal agencies in collecting debt through two components: TOP and the Cross-Servicing Program. Cross-servicing is the process whereby agencies refer Federal, non-tax debts more than 180 days delinquent to Treasury's FMS for collection. During this process, a variety of collection tools are applied, including referral of debts to TOP and debt reporting to credit bureaus. SSA stated that it reports only administrative debts⁹ to Treasury's FMS for cross-servicing.

FMS used TOP, which incorporated TRO, to collect debt. Use of TOP provided SSA additional capabilities to collect debt, including administrative offsets.¹⁰ From October 1999 through June 2003, SSA collected over \$175.7 million in OASDI overpayments from beneficiaries using administrative offsets. Moreover, SSA began reporting beneficiaries who had delinquent OASDI debts to credit bureaus as a way of inducing payment. From Calendar Years 1998 to 2001, SSA

⁸ The TRO program allows certain Federal agencies to attempt to recover delinquent debts from Federal income tax refunds.

⁹ 20 C.F.R. § 422.306(a) states that administrative debts include "...overpayments of pay and allowances paid to employees, debts for civil monetary penalties imposed under section 1140(b) of the [Social Security] Act, debts for unpaid fees for reimbursable services performed by SSA (e.g., disclosures of information), and contractor debts."

¹⁰ POMS, GN 02201.031, states that administrative offset is the withholding of Federal payments other than tax refunds. For example, Office of Personnel Management retirement payments, vendor payments, Federal employee travel payments, some Federal salary payments, and Social Security benefit payments.

reported over 100,000 delinquent debts to 2 major credit bureaus. Additionally, SSA reported it planned to begin sending administrative wage garnishment notices in early calendar year 2005 to collect overpayment debts from the wages of former OASDI beneficiaries and SSI recipients. Further, the Agency stated that administrative wage garnishment initiative is estimated to yield \$105 million in collections over a 5-year period, including about \$25 million in Supplemental Security Income overpayment.

SSA CAN IMPROVE ITS COLLECTION OF OVERPAYMENTS MADE TO REPRESENTATIVE PAYEES FOR DECEASED BENEFICIARIES

Generally, the Agency's OASDI collection efforts have been effective for payments issued to beneficiaries. However, SSA can improve its collection efforts concerning those overpayments issued to representative payees for deceased beneficiaries.

Delinquent Representative Payee OASDI Debts Were Not Referred to Treasury for Collection

As we reported in *The President's Council on Integrity and Efficiency Review of Non-Tax Delinquent Debt*, July 6, 1999, SSA had not referred all delinquent debts to Treasury for collection. This condition still existed at the time of our review. Specifically, we found SSA had not referred delinquent OASDI representative payee overpayment debts to Treasury's FMS (see Appendix C). As a result, Treasury's FMS could not cross-service these debts for possible collection. From January 1996 through December 2002, SSA did not use tax refund and administrative offsets to collect this delinquent debt. Consequently, SSA may have missed an opportunity to collect approximately \$2.3 million.

The Debt Collection Improvement Act (DCIA) of 1996 specifically mandates that Federal agencies, with certain exemptions, transfer non-tax debt more than 180 days delinquent to Treasury for collection.¹¹ DCIA requires that Treasury and other disbursing officials offset Federal payments, a process known as centralized administrative offset, to collect delinquent debts owed to the United States. Since Treasury's FMS is responsible for disbursing payments on behalf of Federal agencies, this process enables Treasury to match delinquent debts against payments owed. When a match occurs, the payment is intercepted and the payment is reduced up to the amount of the debt.

We reviewed OASDI payment data for 150 cases for whom payments were issued to representative payees for deceased beneficiaries. Of the payment records reviewed, 111 (74 percent) of 150 were eligible for referral to Treasury's FMS for tax refund and administrative offsets (see Appendix D). SSA did not refer any of the delinquent debt to Treasury's FMS.

By not referring delinquent representative payee OASDI debt to Treasury's FMS, SSA may have missed opportunities to collect these debts using tax refund and administrative offsets. SSA uses these offsets to collect delinquent debt from

¹¹Public Law No. 104-134, Title III, Chapter 10, § 31001; See 31 U.S.C. §3711(g).

beneficiaries. In FYs 2000 through 2002, SSA collected approximately 7 percent¹² of the OASDI debts owed by former beneficiaries using these offsets (see Table 1).

Table 1: Report on Receivables Due from the Public

OASDI Fiscal Year	Benefit Overpayments Collected	Total Debts (Less than 10 Years Old) Sent to Treasury for Offset	Collections by the Treasury Offset	Percentage Collected
2002	\$1,036,118,318	\$ 726,679,644	\$ 43,828,711	6
2001	1,121,060,609	659,403,438	49,721,155	8
2000	1,369,849,648	543,010,478	41,963,271	8
Totals	\$3,527,028,575	\$1,929,093,560	\$135,513,137	7

As of December 2002, approximately 61,300 representative payees had delinquent OASDI debt totaling about \$77 million. We estimate about 45,400 representative payees with delinquent debts totaling about \$32.5 million could have been referred to Treasury's FMS for possible collection through the use of tax refund and administrative offsets. Applying a 7-percent offset collection rate, we estimate SSA could have collected approximately \$2.3 million using these offsets. However, approximately \$75 million remains outstanding. We will continue to work with the Agency to identify other methods to collect this debt.

Credit Bureau Reporting Was Not Used for Delinquent Representative Payee OASDI Debt

SSA did not use credit bureau reporting to assist in collecting delinquent OASDI debt from representative payees. DCIA authorizes¹³ that most Federal agencies report¹⁴ certain non-tax debts to credit bureaus.¹⁵

SSA must comply with due process procedures¹⁶ (60 days) before reporting a delinquent debt to a credit reporting agency.¹⁷ Agency policy indicates a credit bureau report will be generated for debt owed to SSA that has reached an unrecoverable status.¹⁸ SSA's automated systems select monthly delinquent OASDI debts for credit bureau reporting.

¹² Based on SSA's Financial Report, *Report on Receivables Due from the Public*, for FYs 2000 through 2002. These data are summarized in Table 1.

¹³ FMS' *Guide to the Federal Credit Bureau Program*, page 75, October 2001, recommends that Federal agencies report delinquent consumer debt to four credit bureaus: Equifax, Experian, Trans Union, and Innovis.

¹⁴ Agencies have two options for credit bureau reporting once they have referred cases to Treasury's FMS Debt Management Services for debt collection: they may (1) continue to report the cases to credit reporting agencies, and FMS will not do so or (2) cease reporting, and FMS will report to credit reporting agencies on the Federal agencies' behalf.

¹⁵ 31 U.S.C. § 3711(e).

¹⁶ POMS, GN 02201.032.

¹⁷ Provides the debtor with notice of Agency's intent to report their debt and an opportunity to dispute the information to be reported.

¹⁸ POMS, GN 02201.032.

Of the payment records reviewed, 124 (83 percent) of 150 records of representative payees had OASDI debt that reached an unrecoverable status. SSA did not report the delinquent debts to the credit bureaus, as authorized. As a result, SSA failed to exercise a debt collection option that may have induced representative payees to pay money owed to the Agency.

According to the SSA's management in the offices of Financial Policy and Operations and Retirement and Survivors Insurance System, the Agency does not refer representative payee delinquent OASDI debts to Treasury's FMS or report the debt to credit bureaus because of limitations in its automated system. Management stated the Agency's information system does not capture data on representative payee debt. However, the system does capture and report information on beneficiaries' debt. Treasury's FMS requires taxpayer identification numbers and names to apply tax refund and administrative offsets.

The External Collection Operation System captures data concerning beneficiaries' debt and reports debt information to external entities. SSA management stated the External Collection Operation System does not capture and record non-entitled debtors',¹⁹ such as representative payees, Social Security or taxpayer identification numbers and names. This same limitation does not allow SSA to identify representative payee debtors for credit bureau reporting.

The management of SSA's Office of Financial Policy and Operations stated it had requested assistance for the development of a debt management, non-entitled debtors computer program from the Office of Systems. Using existing automated systems, the computer program is intended to enable recording of non-entitled debtors' information. As of September 2003, the computer program had not been created and was no longer an approved project.

SOME OVERPAYMENT CONTROLS RECORDS EXIST, BUT NOT LINKED TO SSA'S DEBT COLLECTION SYSTEM

The Social Security Act states that "...[i]f any payment of more than the correct amount is made to a representative payee on behalf of an individual after the individual's death, the representative payee shall be liable for the repayment of the overpayment, and the Commissioner of Social Security shall establish an overpayment control record under the social security account number of the representative payee."²⁰ For overpayments occurring prior to December 14, 2000, SSA was not required to establish overpayment control records under representative payees' Social Security numbers.

During our review of 150 beneficiaries' payment records showing payments issued to representatives after death of the beneficiary, we found OASDI representative payee

¹⁹ POMS, SM 00610.772 states that a non-entitled debtor is a person who is not entitled to Social Security benefits, but has incorrectly received payments either by improper issuance of a check or by being a Representative Payee for an entitled beneficiary.

²⁰Section 204(a)(2) of the Social Security Act, as amended, (42 U.S.C. § 404(a)(2)).

overpayment debts linked to beneficiaries' Social Security numbers. This overpayment amount should have been linked to the representative payees' Social Security account number. As previously discussed, system limitations prohibited SSA from capturing and reporting delinquent debt under the representative payees' Social Security account number.

On February 12, 2004, we briefed SSA management about the overpayment control records that should be maintained under the representative payee's Social Security account number. SSA management stated that they had established overpayment control records within its Representative Payee System (RPS) under the individual representative payee's Social Security account number. SSA stated that they are recording remarks on the records of individual representative payees within the RPS to comply with Section 204(a)(2) of the Social Security Act. Management advised us that the Agency uses the RPS to identify representative payees who have been overpaid due to the death of a beneficiary. Specifically, the Agency records remarks²¹ on the record of individual representative payees; however, SSA does not record remarks on organizational²² representative payees.

The Agency issued policy²³ reminding adjudicators to be alert to instances where a representative payee applicant has an existing overpayment due to the receipt of payments after the death of a beneficiary. Although remarks are recorded on the overpayment control record of the representative payee, these records are not linked to SSA's External Collection Operation to assist in the collection of representative payee overpayment debt.

We reviewed the RPS for 67 representative payees²⁴ to determine if these payees had been identified as being overpaid due to the death of a beneficiary. Of the representative payee records reviewed, 27 were individual representative payees with remarks recorded on their record, 24 were organizational representative payees with no remarks recorded, and 14 were either individual or organizational representative payees with no remarks and no balance due.²⁵

Although not required by Section 204(a)(2) of the Social Security Act, we believe the Agency should establish an overpayment control record for organizational representative payees. Congress stated that "[i]ndividuals who willingly accept money that is not legally theirs by cashing checks intended for deceased recipients have both a

²¹ The remarks alert the adjudicators if the representative payee has a prior history of representative payee related fraud, misuse, as well as, if the representative payee collects Social Security benefits or has outstanding overpayments on their own account.

²² Organizational representative payees can include Social Service agencies, institutions, and State or local government agencies.

²³ AM-03035 – Representative Payees Overpaid Due to Receipt of Payments After the Death of a Beneficiary Effective February 19, 2003.

²⁴ We reviewed 150 records within our sample; however, 67 records were of representative payees with a deceased beneficiary who died after December 14, 2000.

²⁵ There were two additional representative payee records. One record noted that the individual representative payee is a beneficiary. The second record was not in the RPS because the collection activity was terminated.

legal and an ethical responsibility to repay the money.”²⁶ Therefore, Congress amended the Social Security Act to make all representative payees liable for the repayment of the overpayment and required SSA to collect this debt.²⁷

By not establishing overpayment control records for all representative payees and not linking these records (accounts) to its External Collection Operation, SSA was unable to transfer all delinquent debt information to Treasury’s FMS for possible debt collection. In addition, the Agency was not able to report all delinquent representative payee debt to credit bureaus. Such activities would improve the likelihood that delinquent representative payee debt could be collected.

²⁶ *Foster Care Independence Act of 1999*, 106 H. Rpt. 182; Prt 1, p. 31.

²⁷ Section 204(a)(2) of the Social Security Act, as amended, (42 U.S.C. § 404(a)(2)).

Conclusions and Recommendations

SSA can improve its debt collection efforts for OASDI overpayments made to representative payees for deceased beneficiaries. Collection of delinquent representative payee debt may be improved if the Agency refers this debt to Treasury's FMS and uses credit bureau reporting. Because the Agency lacked an adequate system for capturing and reporting representative payee debt information, these collection tools were not used. The use of overpayment control records will allow the recording and reporting of OASDI debt of representative payees to Treasury and enable the use of credit bureau reporting. Without addressing these deficiencies for representative payees, delinquent OASDI debts made to representative payees will continue to rise.

We recommend SSA:

1. Identify and refer all eligible delinquent representative payee OASDI overpayment debts to Treasury's FMS for tax refund and administrative offset.
2. Determine whether the representative payee OASDI delinquent overpayment debt information is appropriate for credit bureau reporting. If determined to be cost-beneficial, implement the process.
3. Improve the RPS to link the overpayment control records of all representative payees to its External Collection Operation to assist in debt collection.
4. Determine whether individual representative payees with delinquent OASDI overpayment debts should continue to be representative payees.
5. Determine whether organizational representative payees with delinquent OASDI overpayment debts should continue or become future representative payees.
6. Determine whether it is cost-beneficial to link the overpayment control record of the representative payee to their future Master Beneficiary or Supplemental Security Record. If determined to be cost-beneficial, implement the process.

AGENCY COMMENTS

SSA agreed with five of our six recommendations, but agreed in part with our third recommendation. SSA stated that there is currently a link between the Representative Payee System and the Master Beneficiary Record, which identifies to the Representative Payee System any representative payee record where an overpayment has been established. However, SSA is taking action on all our recommendations. The text of SSA's comments is included in Appendix E.

OIG RESPONSE

Although SSA agreed in part with Recommendation 3, the Agency stated, it "...will address the feasibility of creating an interface between the Representative Payee System and the Non-Entitled Debtors during the design stage." SSA's actions are responsive to the intent of our recommendation. The Agency also provided "technical" comments. We agree, in part, with these comments and have made the appropriate changes as applicable.

Appendices

Acronyms

AWG	Administrative Wage Garnishment
C.F.R.	Code of Federal Regulations
DCIA	Debt Collection Improvement Act
FMS	Financial Management Service
IT	Information Technology
MBR	Master Beneficiary Record
NeD	Non-Entitled Debtors
POMS	Program Operations Manual System
ROAR	Recovery of Overpayments, Accounting and Reporting System
ROI	Return On Investment
SSA	Social Security Administration
SSR	Supplemental Security Income Record
RPS	Representative Payee System
TOP	Treasury Offset Program
TRO	Tax Refund Offset
Treasury	Department of the Treasury
U.S.C.	United States Code

Background, Scope and Methodology

The Social Security Administration (SSA) administers the Old-Age, Survivors and Disability Insurance (OASDI) program under Title II of the Social Security Act. The OASDI program provides protection against the loss of earnings due to retirement, disability, and death. OASDI programs, commonly referred to as “Social Security,” consist of the Old-Age and Survivors, and Disability Insurance programs. For the fiscal year ended September 30, 2002, the OASDI program provided total cash benefits of \$452.8 billion to 46.3 million beneficiaries. According to SSA’s 2002 Supplemental Statistical Analysis, over 10 percent of these beneficiaries had representative payees.

Representative Payees

Some individuals cannot manage or direct the management of their finances because of their youth or mental and/or physical impairments. Congress granted SSA the authority to appoint representative payees to receive and manage these beneficiaries’ payments.¹ SSA selects representative payees for OASDI beneficiaries when representative payments would serve the beneficiary’s best interests.

SSA relies on the representative payees to report events to SSA that may affect the individual’s entitlement.² These events can include marriage, a change in living arrangements, death, or incarceration. Overpayment of benefits may occur, due to representative payee’s failure to notify SSA of events that affect a beneficiary’s payments. Such an event is the beneficiary’s death.

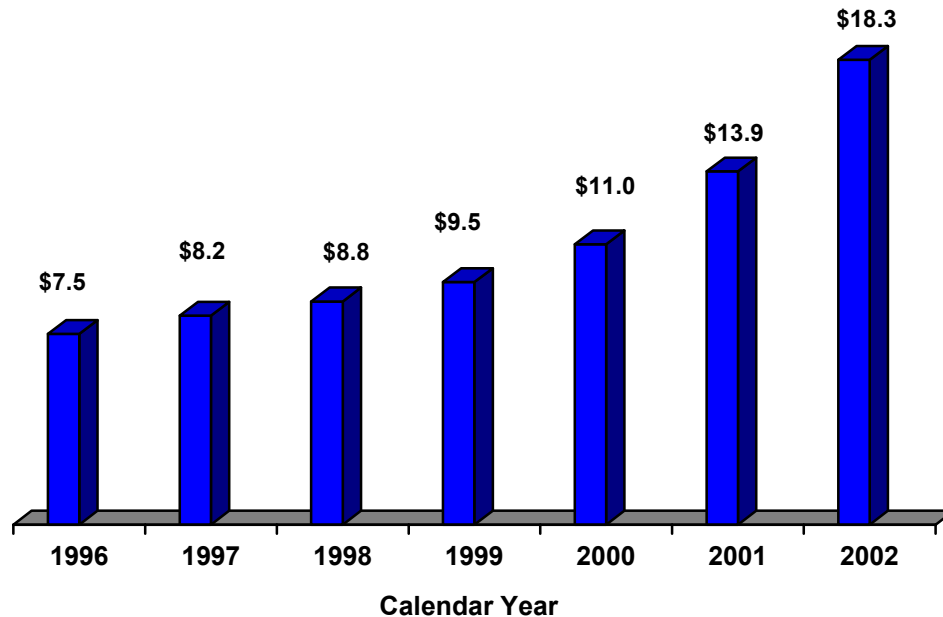
The recovery process for the collection of overpayments (debt collection process) becomes more difficult when beneficiaries’ payments are issued to representative payees. Between Calendar Years 1996 and 2002, the number of representative payees who received OASDI overpayments for deceased beneficiaries increased approximately 267 percent (from about 6,200 to 16,600). For this grouping, OASDI overpayments increased approximately 244 percent (from about \$7.5 million to more than \$18.3 million). These overpayments are presented in Figure 1.

¹ Sections 205(j) and 1631(a)(2)(A)(ii) of the Social Security Act, as amended (42 U.S.C. §§ 405(j) and 1383(a)(2)(A)(ii)).

² SSA Publication No. 05-10076, *Social Security: A Guide for Representative Payees*, August 2001.

Figure 1. OASDI Overpayments Made to Representative Payees for Deceased Beneficiaries (1996-2002)

Source: SSA's Master Beneficiary Records and Recovery of Overpayments, Accounting, and Reporting System.



To accomplish our objective, we:

- Reviewed public laws,³ regulations,⁴ the applicable sections of the Social Security Act⁵ and SSA's *Program Operations Manual System (POMS)*.⁶
- Interviewed SSA personnel to obtain an understanding of the policies and procedures used for collecting delinquent debts.
- Obtained from SSA's Master Beneficiary Records and Recovery of Overpayments, Accounting, and Reporting system, a list of 61,333 overpayments totaling \$77,462,214 made to deceased beneficiaries with representative payees for the period January 1996 through December 2002. We randomly selected 150 records for review.

³ Public Laws No. 101-508, Omnibus Budget Reconciliation Act of 1990, No. 103-387, Social Security Domestic Employment Reform Act of 1994, and No.104-134, The Debt Collection Improvement Act of 1996.

⁴ 20 Code of Federal Regulations (C.F.R.) §§ 404.520-404.527; 20 C.F.R Part 422, subpart D; 31 C.F.R Part 285 and 31 C.F.R § 900.2.

⁵ Sections 204(a)(2) and 204(f) of the Social Security Act, as amended (42 U.S.C. §§ 404(a)(2) and 404(f)).

⁶POMS, sections GN 02200 through GN 02280.

- Obtained computer printouts from SSA's Master Beneficiary Record, Payment History Update System, Inquiry Response System, and Debt Management System.
- Contacted program service centers to obtain information on the procedures used to collect overpayments from deceased beneficiaries with representative payees.
- Analyzed OASDI-related debt to determine the collection rate of debts owed by beneficiaries.

We determined the computer-processed data to be sufficiently reliable for our intended use. We tested overpayment debt amounts recorded in the Recovery of Overpayments, Accounting, and Reporting system. We conducted tests to determine the completeness, accuracy and validity of the data.

The entities reviewed were the Office of Income Security Programs within the Office of Disability and Income Security Program; Office of Financial Policy and Operations within the Office of Finance, Assessment and Management; and the Office of Retirement and Survivors Insurance System within the Office of Systems. We performed our audit from November 2002 through March 2003 in Baltimore, Maryland. We conducted our audit in accordance with generally accepted government auditing standards.

Prior Office of the Inspector General Review

Our review of *The President's Council on Integrity and Efficiency Review of Non-Tax Delinquent Debt* (A-15-99-52002), July 6, 1999 was part of a Government-wide review of non-tax delinquent debt. The objective of this review was to determine SSA's compliance with the Debt Collection Improvement Act (DCIA) of 1996.¹

The audit indicated that SSA was working toward meeting the objectives of the DCIA, which are to (1) maximize collection of delinquent debts owed to the Government and (2) reduce losses arising from inadequate debt management activities. Although progress had been achieved, improvements could be made regarding SSA's implementation of the DCIA. Specifically, all delinquent debts were not referred to the Department of the Treasury's Financial Management Service for collection, and the DCIA tool was not incorporated into SSA's Debt Management Program.

We recommended that SSA:

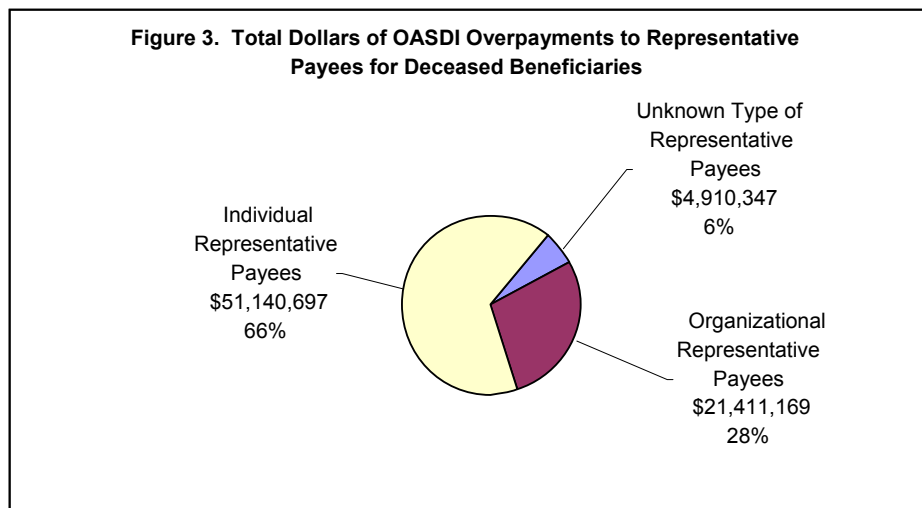
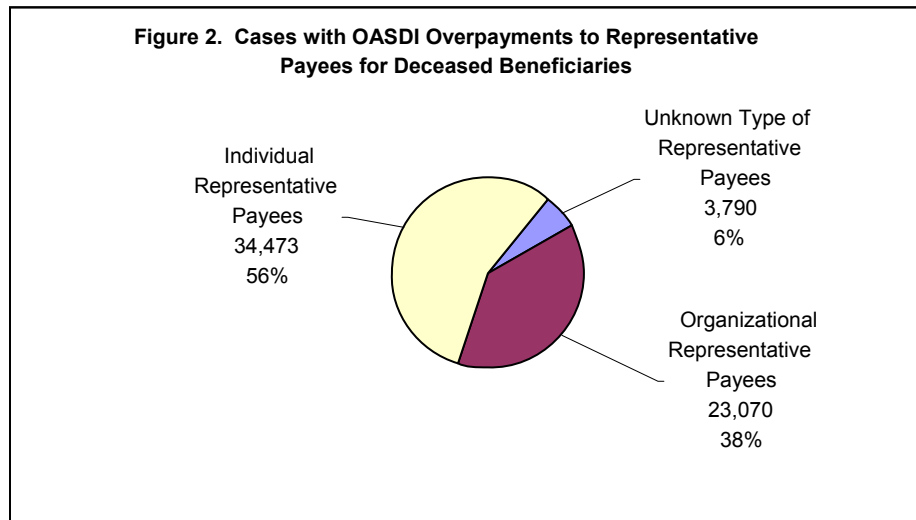
1. Improve the transfer of delinquent debts to the Department of the Treasury's Financial Management Service.
2. Incorporate the application of interest into its debt management program.

SSA stated that progress had been made toward implementing the provisions of the DCIA. SSA concurred with Recommendation 2 and provided additional comments on actions the Agency had taken toward implementing the provisions of the DCIA. The Agency provided comments on the two major debt collection programs. Further, SSA requested to be designated as a debt collection center on May 30, 1997 for purposes of collecting its own debt.

¹ Public Law No. 104-134, The Debt Collection Improvement Act of 1996, See 31 U.S.C. § 3701 *et seq.*

Sampling Methodology

We obtained a data extract from the Social Security Administration’s (SSA) Master Beneficiary Record and Recovery of Overpayments, Accounting, and Reporting system, which included all deceased beneficiaries who had overpayments and representative payees for the period January 1996 through December 2002. The data extract consisted of 61,333 overpayment records totaling approximately \$77.5 million (see Figures 2 and 3). We used a random sample generator to select overpayment records involving deceased beneficiaries for review. From this universe, we selected and reviewed 150 of the 61,333 overpayments for this period.



We reviewed each selected record to determine whether SSA had used all of its debt collection efforts. Of the 150 cases reviewed, we excluded 3 cases for not meeting the Agency's collection limit,¹ 6 cases because the beneficiaries were listed as the representative payees, 13 cases because they were fewer than 180 days old, and 17 cases because the overpayment balances were paid at the time of our review. The remaining 111 (74 percent) overpayment records were subject to collection activities; however, all debt collection tools available were not used.

Of the 61,333 representative payees with delinquent debts totaling approximately \$77.5 million, we estimate about 45,400 delinquent debts totaling at least \$32.5 million could have been referred to Treasury's FMS for possible collection. Based on the Agency's *Report on Receivables Due From the Public*, SSA collects approximately 7 percent of delinquent debt by utilizing the Treasury Offset Program. Applying this 7 percent offset collection rate, we estimate that SSA could have collected approximately \$2.3 million using these offsets.

Sample Results and Projections	
Population size	61,333
Sample size	150
Attribute Projections	
Sampled records where all debt collection tools not used	111
Projection of records where all debt collection tools not used	45,386
Projection lower limit	41,372
Projection upper limit	48,956
Variable Projections	
Sample dollars where all debt collection tools not used	\$118,524
Projection of dollars where all debt collection tools not used	\$48,462,757
Projection lower limit	\$32,546,307
Projection upper limit	\$64,379,206

Note: All projections were calculated at the 90-percent confidence level.

¹ The Program Operations Manual System, GN 02201.030, excludes cases that have balances less than \$25.00 from offset.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

32325-24-998

Date: May 28, 2004 **Refer To:** S1J-3

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

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

Subject: Office of the Inspector General (OIG) Draft Report, "Collection of Old-Age, Survivors and Disability Insurance Overpayments to Representative Payees for Deceased Beneficiaries" (A-13-03-13049)--INFORMATION

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

Please let us know if we can be of further assistance. Questions can be referred to Candace Skurnik, Director of the Audit Management and Liaison Staff, at extension 54636. Staff questions can be referred to Trudy Williams at extension 50380.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “COLLECTION OF OLD-AGE, SURVIVORS AND DISABILITY INSURANCE OVERPAYMENTS TO REPRESENTATIVE PAYEES FOR DECEASED BENEFICIARIES” (A-13-03-13049)

Thank you for the opportunity to comment on the subject draft report. Our response to the report and to the specific recommendations is provided below.

OIG obtained a data extract from the Social Security Administration (SSA) Master Beneficiary Record (MBR) and Recovery of Overpayments, Accounting and Reporting (ROAR) system, which included all deceased beneficiaries who had overpayments and representative payees (Rep Payees), for the period of January 1996 through December 2002. The data extract consisted of 61,333 overpayments, totaling approximately \$77.5 million. OIG randomly sampled 150 of these records and found 111 cases (74 percent) that were subject to overpayment collection tools, such as the Treasury Offset Program (TOP) and credit bureau referrals, but the tools were not utilized. Of the 61,333 cases, OIG estimated that overpayment collection tools could have been used in 45,400 cases, with an estimated debt of \$32.5 million. Utilizing TOP, OIG estimates that SSA could yield an additional \$2.3 million more in debt recoveries, using a 7 percent collection rate based on SSA’s own financial report, *Report on Receivables Due From the Public*, for fiscal years (FY) 2000-2002.

OIG does not make a distinction between organizational Rep Payee debt and individual debt in this estimate. A prerequisite under SSA’s process for using both TOP and credit bureau referrals is that the debtor’s own Social Security number must be on the MBR or the Supplemental Security Income Record (SSR). As such, outstanding debt owed by organizational Rep Payees is precluded from using these debt collection tools. Therefore, we believe the report should clearly differentiate the organizational Rep Payee cases from the individual Rep Payees in the projection of debt recoveries. In addition, individual Rep Payees of deceased debtors are not included in the aforementioned programs, largely because those Rep Payees have never been entitled to Social Security benefits and therefore do not have the requisite master records (MBR or SSR) essential to the use of TOP and credit bureau reporting.

Prior to OIG’s work in this area, SSA recognized the need to create a database to control programmatic debts of non-beneficiaries. In FY 2003, the Agency completed planning and analysis of the Non-Entitled Debtors (NeD) Information Technology (IT) Project System, focusing on overpayments of Rep Payees for payments after death of beneficiaries. This system could have addressed many of the issues raised in the report, but had to be suspended due to higher Agency priorities. We believe the draft report does not accurately reflect or provide an explanation of the dynamics of the Agency’s IT prioritization process. In the case of NeD, the projected return on investment (ROI) is slightly less than \$2 million per year. Other projects, however, such as administrative wage garnishment (AWG), are expected to yield a much greater ROI (an estimated \$105 million over 5 years). SSA, whenever possible, directs its available resources towards the development of these new, higher yield projects, such as mandatory cross program recovery, credit bureau reporting for Title XVI overpayments, and administrative offset for Title XVI program overpayments. To date, mandatory cross program recovery has collected

about \$115 million, while credit bureau reporting and administrative offset for Title XVI debts have contributed to the collection of \$52.1 million in voluntary repayments made by those people who want to avoid other collection tools.

However, recently enacted legislation, Public Law (P.L.) 108-203, the Social Security Protection Act of 2004, obligated SSA to resurrect activity on the NeD project since it will set up the framework to comply with Sections 01, 105, 111, 201, 204, 207 and 303 of the Social Security Act. Most notably, NeD will establish a Liability Index File to connect a Rep Payee or other non-entitled debtor to the Claim Account Number where the debt occurred. In addition, P.L. 108-203 redefines misused funds issued to nongovernmental Rep Payees as overpayments and expands SSA's authority to use all available debt collection tools to pursue collection of these debts. The NeD project will be implemented in phases. The first phase will address Title II overpayments to Rep Payees of deceased beneficiaries and is currently scheduled for release in September 2005. Release 1 will address the most critical issue raised in this report, which is, identifying and referring eligible non-entitled debtors for Tax Refund Offset. The second release will include Title XVI overpayments to Rep Payees of deceased beneficiaries. The recommendations in this report should be addressed in the first two phases of NeD for prospective death cases.

Recommendation 1

SSA should identify and refer all eligible delinquent Rep Payees Old-Age, Survivors and Disability Insurance (OASDI) overpayment debts to Treasury's Financial Management Service (FMS) for tax refund and administrative offset.

Comment

We agree. The NeD project will identify, prospectively, Rep Payee OASDI debts and debtors by modifying the ROAR master file to include and process liable party information by means of building a liability file. This data base will enable eligible delinquent Rep Payee OASDI debts and debtors to be referred for TOP and any other debt collection tool that is available.

Recommendation 2

SSA should determine whether the Rep Payee OASDI delinquent overpayment debt information is appropriate for credit bureau reporting. If determined to be cost-beneficial, implement the process.

Comment

We agree. The initial phase of NeD will use all debt collection tools that are available to provide a link between TOP and the credit bureaus. To avoid any potential fallout, the end-users will need to determine the universe for the additional phases of NeD.

Recommendation 3

SSA should improve the Representative Payee System (RPS) to link the overpayment control records of all Rep Payees to its External Collection Operation to assist in debt collection.

Comment

We agree in part. There is currently a link between the RPS and the MBR updated (DUDEX) which identifies to the RPS any Rep Payee record where an overpayment has been established. We will address the feasibility of creating an interface between RPS and NeD during the design stage.

Recommendation 4

SSA should determine whether individual Rep Payees with delinquent OASDI overpayment debts should continue to be Rep Payees.

Comment

We agree. Delinquent OASDI overpayment debt should be a factor in deciding whether someone should be allowed to continue as a Rep Payee. We will work to identify cases where this condition exists, and once identified, we will review the continued suitability of these Rep Payees. Additional policy guidance will need to be written for cases where the suitability of a current Rep Payee is in question due to an outstanding overpayment. We already consider outstanding debt when selecting a Rep Payee.

Recommendation 5

SSA should determine whether organizational Rep Payees with delinquent OASDI overpayment debts should continue or become future Rep Payees.

Comment

We agree. This issue will be looked at more closely, as this could be an indication of possible problems if there are a number of overpayments outstanding for a particular organizational Rep payee.

An alert (as described in AM-03035) is generated by the RPS system for organizational Rep Payees who are overpaid due to the death of a beneficiary. The overpayment issue can be addressed during expanded monitoring reviews; however, each must be evaluated on a case-by-case basis. Our experience has been that organizational Rep Payees want to do what is right, in accordance with SSA's laws and regulations, and upon personal contact, they will return overpaid funds. The Social Security Protection Act of 2004 specifically requires identification, licensing and bonding of Rep Payees with more than 15 beneficiaries and fee-for-service organizational Rep Payees, so that those with delinquent debts can be identified and prevented from acquiring additional beneficiaries.

Recommendation 6

SSA should determine whether it is cost-beneficial to link the overpayment control record of the Rep Payee to their future MBR or SSR. If determined to be cost-beneficial, implement the process.

Comment

We agree. The Agency has already determined that linking debts incurred as a Rep Payee to the Rep Payee's own benefit record would be beneficial. This recognized deficiency was the impetus for NeD. Also, P.L. 108-203 provides the necessary legislation to consider certain misused funds as overpayments, thus allowing the Agency the full range of debt collection processes and tools for this problematic debt.

[In addition to the items listed above, SSA also provided other and technical comments which have been addressed, where appropriate, in this report.]

OIG Contacts and Staff Acknowledgments

OIG Contacts

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

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

Acknowledgments

In addition to those named above:

Tracey Edwards, Senior Auditor

Joe Borowy, Auditor

Cheryl Robinson, Writer-Editor

For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-1375. Refer to Common Identification Number A-13-03-13049.

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