

SOCIAL SECURITY ADMINISTRATION

ACCOUNTABLE OFFICIAL'S ANNUAL REPORT EXECUTIVE ORDER 13520, REDUCING IMPROPER PAYMENTS APRIL 2014

INTRODUCTION

Our Accountable Official's Annual Report to the Inspector General fulfills the requirements of Sections 2(b) (iv), 3(b), and 3(f) of Executive Order 13520, *Reducing Improper Payments*,¹ signed by the President on November 20, 2009, and Office of Management and Budget (OMB) Circular No. A-123, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments*,² issued March 22, 2010. The Executive Order and supporting OMB guidance require agencies with high-error programs to submit an annual report to its Inspector General (OIG). This report contains our:

- Methodology for identifying and measuring improper payments in our high-error programs.
- Targets to reduce improper payments.
- Plan to meet the reduction targets for improper payments, including:
 - Root causes of error in our programs;
 - Corrective actions we are taking and their full implementation dates;
 - Types of errors the corrective actions will address and their expected impact;
 - Anticipated costs of the corrective actions and their likely return on investment; and
 - Explanations of the programs' performance in meeting reduction targets.
- Plan, with supporting analysis, for ensuring initiatives undertaken pursuant to the Executive Order do not unduly burden program access and participation by eligible beneficiaries.

¹ Executive Order 13520: <http://www.whitehouse.gov/the-press-office/executive-order-reducing-improper-payments>

² OMB guidance for Executive Order 13520: http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-13.pdf

- Identification of high-dollar improper payments and actions to recover and prevent future improper payments. OMB requires agencies to report high-dollar improper payments regardless of whether they have high-error programs.

Please see the Appendix on page 27 for more information on implementing Executive Order 13520, including definitions.

BACKGROUND

OMB has designated 13 Federal programs as “high-error.” Under OMB’s fiscal year (FY) 2010 criteria, any program with \$750 million in improper payments qualifies as a high-error program, and agencies must report improper payments in those programs. If payment error in a high-error program is less than 2.00 percent of program outlays, agencies are not required to establish supplemental measures and targets. Two of our programs meet OMB’s definition of high-error programs: the Retirement Survivors and Disability Insurance (RSDI) program and the Supplemental Security Income (SSI) program.

According to OMB’s FY 2012 summary, the RSDI program was the most accurate program among Federal agencies that measure improper payments.³ Our FY 2012 error rates for RSDI overpayments and underpayments were 0.22 percent and 0.10 percent, respectively. However, RSDI meets the OMB definition because each 0.10 percentage point represents about \$770 million in program outlays. Because the RSDI payment error rate is below OMB’s threshold of 2.00 percent of program outlays, we are not required to establish supplemental measures and targets.

Our SSI program continues to meet the OMB high-error definition despite improvements in our payment accuracy. The FY 2012 error rates for SSI overpayments and underpayments were 6.34 percent and 1.78 percent, respectively. Because the error rate exceeds the 2.00 percent threshold, we must establish supplemental measures and targets for the SSI program. We discuss these measures later in this report.

As good stewards of the programs entrusted to us, our goal is to pay individuals the correct amount – neither overpaying nor underpaying them. Increasing efforts to accurately pay benefits and recovering improper payments are two objectives in our strategic goal to Preserve the Public’s Trust in our Programs.⁴ In addition, one of our Agency Priority Goals for FYs 2014 and 2015 focuses on reducing SSI improper payments in the SSI program. We detail our efforts to reduce improper payments and recover overpayments in the sections that follow.

³ The OMB summary is located on their PaymentAccuracy.gov website: <http://www.paymentaccuracy.gov/high-priority-programs>. The summary is based on our review of payment error rates in FY 2012.

⁴ Performance.gov: http://goals.performance.gov/goals_2013?page=3&stra_goal=1&prio_goal=0&fed_goal=1&agency=&prog_type=&themes=&goal_type

For more information on high-error programs described in Executive Order 13520, refer to the Appendix.

RSDI

OVERVIEW

The RSDI program provides monthly benefits to eligible individuals based on the worker's earnings from employment and self-employment covered under Social Security. We pay retirees and their dependent spouses, minor children, and in some cases, disabled adult children. In the event of a worker's death, we pay survivors benefits to the deceased's family. If a worker can no longer work because of a medical condition that has lasted or is expected to last at least 12 months, we pay the worker and his or her dependents.

STEWARDSHIP REVIEWS

Our Annual Performance Plan⁵ includes an RSDI payment accuracy performance measure. We use stewardship reviews to measure payment accuracy. We interview the beneficiaries or their representative payees, make additional contacts as needed, and redevelop all non-medical factors of eligibility as of the sample month. We use our findings for analysis and reporting. We issue an annual internal report on our stewardship review findings. The findings provide data necessary to meet the *Improper Payments Information Act of 2002 (IPIA)*⁶ reporting requirements, as amended by the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)*.⁷ In FY 2012, we selected sample cases monthly and reviewed 1,785 cases.

We calculate a combined payment accuracy rate for RSDI (i.e., for Retirement and Survivors Insurance (RSI) and Disability Insurance (DI) together). We based our FY 2012 report on reviews of monthly samples of our RSDI payments issued from October 2011 through September 2012.

Improper Payment Experience

We continued to maintain high payment accuracy for RSDI in FY 2012. Our overpayment error rate was 0.22 percent, or \$1,708 million – slightly higher than our target of 0.20 percent. Our underpayment error rate was 0.10 percent, or \$740 million, which was better than our target of 0.20 percent. The following table reflects additional historical information on our RSI, DI, and combined RSDI benefit programs for FYs 2010-2012.

⁵ Annual Performance Plan for Fiscal Year 2014: http://www.ssa.gov/performance/2014/FINAL_APP_508-2.pdf

⁶ IPIA: http://www.whitehouse.gov/sites/default/files/omb/financial/improper/PL_107-300.pdf

⁷ IPERA: http://www.whitehouse.gov/sites/default/files/omb/financial/improper/PL_111-204.pdf

**RSDI Improper Payments Experience
FY 2010 – FY 2012
(dollars in millions)**

	FY 2010		FY 2011		FY 2012	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
RSI						
Total Benefit Payments	\$572,569		\$588,865		\$643,100	
Underpayment Error	\$527	0.09%	\$468	0.08%	\$517	0.08%
Overpayment Error	\$1,878	0.33%	\$653	0.11%	\$469	0.07%
DI						
Total Benefit Payments	\$122,899		\$128,086		\$127,200	
Underpayment Error	\$1,261	1.03%	\$479	0.37%	\$223	0.18%
Overpayment Error	\$844	0.69%	\$1,624	1.27%	\$1,239	0.97%
Combined RSDI						
Total Benefit Payments	\$695,469		\$716,951		\$770,300	
Underpayment Error	\$1,788	0.25%	\$946	0.13%	\$740	0.10%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	\$2,722	0.39%	\$2,277	0.32%	\$1,708	0.22%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FY 2010 are actual cash outlays. Total benefit payments for FYs 2011 and 2012 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. RSDI totals may not equal the sum of RSI and DI amounts due to rounding.
2. FY 2013 data will not be available until April 2014.
3. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
4. RSI statistical precision is at the 95.00 percent confidence level for all rates shown. Confidence intervals are: for FY 2010, ±0.03 percent for underpayments and +0.32 percent and -0.35 percent for overpayments; for FY 2011, +0.07 percent and -0.08 percent for underpayments and ±0.08 percent for overpayments; and for FY 2012, +0.05 percent and -0.06 percent for underpayments and ±0.04 percent for overpayments.
5. DI statistical precision is at the 95.00 percent confidence level for all rates shown. Confidence intervals are: for FY 2010, +0.88 percent and -0.87 percent for underpayments and +0.68 percent and -0.72 percent for overpayments; for FY 2011, +0.36 percent and -0.49 percent for underpayments and ±1.21 percent for overpayments; and for FY 2012, +0.17 percent and -0.26 percent for underpayments and +0.86 percent and -0.87 percent for overpayments.
6. Changes in the RSDI error rates from FY 2011 to FY 2012 are not statistically significant.

Improper Payment Goals

The table below shows the RSDI improper payment goals. We plan to maintain a target error rate of 0.20 percent for overpayments and underpayments for FYs 2013-2015.

RSDI Improper Payments Reduction Outlook FY 2013 – FY 2015 (dollars in millions)						
	FY 2013 Target		FY 2014 Target		FY 2015 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
RSDI						
Total Benefit Payments	\$802,633		\$846,907		\$890,826	
Underpayments	\$1,605	0.20%	\$1,694	0.20%	\$1,782	0.20%
Overpayments	\$1,605	0.20%	\$1,694	0.20%	\$1,782	0.20%
Notes:						
<ol style="list-style-type: none"> 1. We do not have separate RSI and DI targets; therefore, we present a combined RSI and DI target. 2. FY 2013 data will not be available until late April 2014; therefore, the rates shown are targets. 3. Total benefit payments for FYs 2013-2015 are estimates consistent with projections for the President's FY 2015 Budget. 						

Major Causes of RSDI Improper Payments

In the following tables, we list the major causes of RSDI overpayment and underpayment dollars for FYs 2008-2012. These dollar amounts represent an annualized five-year rolling average.

Major RSDI Error Dollar Overpayments (\$ in Millions)		
Substantial Gainful Activity (SGA)	\$980	When a disability beneficiary works, a number of factors determine if he or she can continue to receive monthly benefits. After completing a nine-month trial work period, we do not pay a beneficiary for months when earnings exceed SGA thresholds. Overpayments occur when beneficiaries fail to timely report earnings or when we do not timely withhold monthly benefit payments from those engaging in SGA.
Computations	\$351	We determine an individual's benefit amount based on a number of factors, including age, earnings history, and the type of benefit awarded. Inaccurate information or administrative errors can result in incorrectly calculated benefits. In terms of overpayments, computation errors involving the Windfall Elimination Provisions are the leading cause of deficiencies.

Major RSDI Error Dollar Underpayments (\$ in Millions)		
Computations	\$330	We determine an individual's benefit by using several factors such as age, earnings history, and the type of benefit awarded. Inaccurate information or administrative mistakes can cause errors in benefits.
Earnings History	\$184	The earnings reported on an individual's work history help determine the amount of monthly benefits that the individual or someone filing on that account will receive. When the earnings record does not accurately reflect the individual's earnings, errors can occur when the individual applies for and is awarded benefits.

Corrective Actions – Substantial Gainful Activity

We use SGA to determine if a beneficiary meets our definition of disability. The ability to perform SGA may result in suspended or terminated DI benefits. While the number of SGA error cases remains low, the error dollars for these cases are often substantial. SGA errors for FYs 2008-2012 accounted for about 30 percent of total overpayment and underpayment RSDI error dollars. SGA accounted for about 43 percent of all RSDI overpayment error dollars for FYs 2008-2012.

The process for making SGA determinations has inherent delays that contribute to the magnitude of overpayments. The delays result from an individual's failure to timely report work and the extensive case development required to determine if an individual is engaging in SGA. We may become aware of a beneficiary's work activity through voluntary beneficiary reporting or from a third party, such as the Internal Revenue Service (IRS).

A work continuing disability review (CDR) evaluates a beneficiary's work activity to determine if the work represents SGA and if eligibility for benefits should continue. Work is substantial if the beneficiary performs work-related activities that are above the SGA earnings level.⁸ In FY 2013, we completed about 253,000 work CDRs. These CDRs resulted in more than 116,000 cessations of benefits or subsequent reinstatements or suspensions of benefits during the extended period of eligibility.⁹

The following are two of the initiatives that support our efforts to prevent and identify improper payments related to work.

1. CDR Enforcement Operation (CDREO)

The CDREO is an automated process that matches our current DI beneficiaries with earnings reported to us by the IRS and posted to our Master Earnings File. This process

⁸ In calendar year 2014, SGA is \$1,070 per month for non-blind beneficiaries and \$1,800 per month for blind beneficiaries.

⁹ For information on the extended period of eligibility, see: <http://www.ssa.gov/redbook/documents/TheRedBook2014.pdf>.

alerts us to DI beneficiaries who may have returned to work. CDREO identifies earnings DI beneficiaries did not report to us and earnings that beneficiaries may have already reported but we have not yet developed as part of the work CDR process. CDREO selects cases for work CDRs based on the amount of earnings, certain medical reexam information on the record, and other pertinent criteria.

When we determine that a work CDR is required, our field offices and processing centers review the beneficiary's work activity, collect necessary data from various databases, and prepare appropriate forms and notices. During this process, we consider relevant work incentive policies, such as impairment-related work expenses, to determine if the beneficiary has performed SGA and if benefits should stop.

2. Statistical Model

We developed a statistical model that predicts the likelihood of beneficiaries being at risk of receiving large earnings-related overpayments. The model is piloted and in use in the following two workloads:

- In October 2010, we began a pilot in one of our processing centers using a statistical predictive model to prioritize CDREO alerts, working cases likely to incur large work-related overpayments first. The predictive model scored cases based on such factors as historical earnings, prior work-related CDRs, previous benefit increases due to earnings, overpayments, amount of monthly benefits, time on beneficiary rolls, and type of impairment. In June 2011, we expanded the pilot to include three processing centers, covering over 60 percent of the CDREO workload. In June 2013, we implemented the predictive model nationwide.
- In October 2012, we began a new pilot to delay the benefit increase resulting from an Automated Earnings Reappraisal Operation (AERO) re-computation for a disability beneficiary with a pending work CDR. Using the CDREO predictive model, we identified the top 10 percent of scored cases pending in the processing centers and field offices, matched these cases against the October AERO increase cases, and identified cases that were due a benefit increase based on the AERO re-computation. We delayed the AERO increase for those high-scoring cases until the next AERO recomputation run in March 2013. This allowed us six additional months to complete the pending work CDR cases. Based on the pilot results, we are continuing our efforts in FY 2014.

OVERVIEW

SSI is a means-tested program for individuals with limited income and resources who are blind, disabled, or elderly. The program is complex because fluctuations in monthly income, resources, and living arrangements may affect eligibility and monthly payment amounts. Improper payments often occur if beneficiaries or their representative payees fail to timely report changes in eligibility factors (e.g., an increase in resources or a change in wages). Failure to report changes that can affect payment are the primary cause of both overpayment and underpayment errors.

STEWARDSHIP REVIEWS

We derive accuracy rates for the SSI program by reviewing sample SSI cases with a payment in at least one month of the fiscal year under review. We review cases monthly, and for each case, we interview the beneficiary or representative payee and redevelop the non-medical factors of eligibility to determine if we paid the beneficiary correctly. We express any difference between the actual payment and what our quality review process determined we should have paid as an overpayment or underpayment error. In FY 2012, we reviewed 4,130 cases. We report the overpayment and underpayment accuracy rates separately. Our FY 2012 overpayment error rate was 6.34 percent, above our target of 5.00 percent. Our underpayment error rate for FY 2012 was 1.78 percent, slightly higher than our target of 1.20 percent. We based our FY 2012 report on monthly samples of SSI payments issued from October 2011 through September 2012.

Improper Payment Experience

Our greatest payment accuracy challenge is the SSI overpayment error rate. However, our SSI overpayment error rate decreased over the five-year period between FY 2008 through FY 2012. The decrease in the overpayment error rate between the FY 2008 error rate of 10.30 percent and the FY 2012 error rate of 6.34 percent is statistically significant. The SSI underpayment error rate is relatively low. The five-year underpayment trend is stable, and the difference in underpayment error between FY 2008, at 1.75 percent, and FY 2012, at 1.78 percent, is negligible.

Many factors influence SSI payment accuracy. Increasing the number of SSI redeterminations generally has a positive effect on payment accuracy. Additional factors, such as timely reporting of changes in income and resources can affect SSI payments. In addition, the economic climate, with either employment growth or decline, can contribute to wage-related SSI payment errors.

In FY 2008, the SSI overpayment error rate was 10.30 percent – the highest rate since the early days of the program. After receiving additional resources for program integrity reviews, we increased the volume of SSI non-medical redeterminations of eligibility for FYs 2009-2010. The FY 2009 SSI overpayment error rate declined to 8.36 percent and further decreased to 6.65 percent in FY 2010 – both significant improvements. In FY 2011, the SSI overpayment

error rate was 7.34 percent. Although we dedicated additional funding for program integrity efforts, this slight increase in overpayment error from FY 2010 demonstrates the volatility of payment accuracy. Our goal is to decrease the SSI overpayment error rate from 6.65 percent in FY 2010 to 5.00 percent by the end of FY 2013. Our FY 2013 SSI payment accuracy results will be available in April 2014.

The following table reflects our improper payment experience for the SSI program for FYs 2010-2012.

SSI Improper Payments Experience FY 2010 – FY 2012 (dollars in millions)			
	FY 2010	FY 2011	FY 2012
Total Federally-Administered Payments			
Dollars	\$50,276	\$51,654	\$53,411
Underpayments			
Dollars	\$1,227	\$947	\$948
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	2.44%	1.83%	1.78%
Overpayments			
Dollars	\$3,344	\$3,791	\$3,387
Target Rate	≤8.40%	≤6.70%	≤5.00%
Actual Rate	6.65%	7.34%	6.34%
Notes:			
<ol style="list-style-type: none"> Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays. FY 2013 data will not be available until late April 2014. The percentages and dollar amounts presented in Table 6 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding. SSI statistical precision is at the 95.00 percent confidence level for all rates shown. Confidence intervals are: for FY 2010, ±0.66 percent for underpayments and ±1.05 percent for overpayments; for FY 2011, ±0.38 percent for underpayments and ±1.08 percent for overpayments; and for FY 2012, ±0.53 percent for underpayments and ±1.78 percent for overpayments. 			

Improper Payment Goals

The following table details the SSI improper payment goals for FYs 2013-2015. Our goal for each year is to reduce our underpayment and overpayment error rates to 1.20 percent and 5.00 percent, respectively.

SSI Improper Payments Reduction Outlook						
FY 2013 – FY 2015						
(dollars in millions)						
	FY 2013 Target		FY 2014 Target		FY 2015 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Federally-Administered Payments	\$56,045		\$58,063		\$59,617	
Underpayments	\$673	1.20%	\$697	1.20%	\$715	1.20%
Overpayments	\$2,802	5.00%	\$2,903	5.00%	\$2,981	5.00%
Note:						
1. Total federally administered SSI payments are estimates consistent with projections for the President's FY 2015 Budget, adjusted to be presented on a constant 12 month per year payment basis.						

Major Causes of SSI Improper Payments

The following tables show the major causes of SSI overpayment and underpayment dollars for FYs 2008-2012. These dollar amounts represent an annualized five-year rolling average.

Major SSI Error Dollar Overpayments		
(\$ in Millions)		
Financial Accounts	\$1,012	The applicant or beneficiary (or his or her parent or spouse) has financial accounts that exceed the allowable resource limits (\$2,000 individual/\$3,000 couple) that may result in periods of SSI program ineligibility.
Wages	\$642	The beneficiary (or his or her parent or spouse) has actual wages that exceed the wage amount used to calculate payment.
Other Real Property	\$296	Undisclosed non-home real property is a growing cause of improper overpayments in the SSI program. SSI ineligibility may result if the beneficiary is the owner of real property other than his or her principal place of residence.

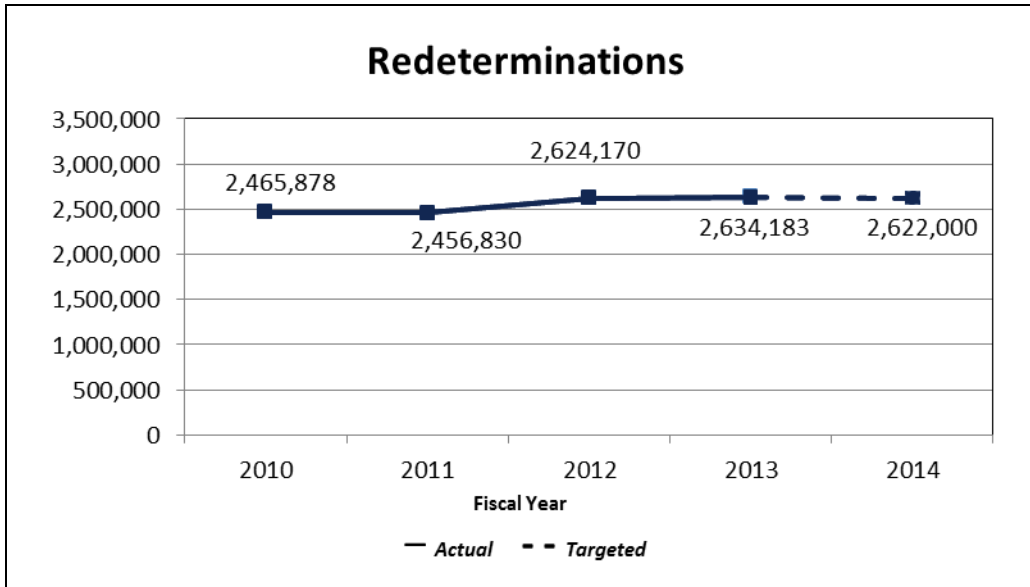
Major SSI Error Dollar Underpayments (\$ in Millions)		
Living Arrangements	\$260	We paid the beneficiary as if he or she was “living in the household of another” when he or she was living in his or her own household for SSI purposes and, therefore, is due a higher payment.
In-Kind Support and Maintenance	\$244	In-kind support and maintenance is unearned income received in the form of food or shelter. The error results when the beneficiary’s amount of in-kind support and maintenance is less than the amount used to calculate payment.
Wages	\$209	The beneficiary (or his or her parent or spouse) has actual wages that are less than the wage amount used to calculate payment.

Corrective Actions – SSI

1. SSI Non-Medical Redeterminations

SSI payments can fluctuate monthly depending on changes in non-medical factors of eligibility, such as income, resources, and living arrangements. To ensure we pay SSI payments correctly and only to eligible individuals, we conduct SSI redeterminations, which are periodic reviews of SSI non-medical eligibility factors. Generally, redeterminations are an effective tool to detect and prevent improper payments in the SSI program. Redeterminations detect errors in SSI payment amounts that can be underpayments, overpayments, or a combination of both. Redeterminations can be scheduled or unscheduled. Scheduled redeterminations are selected for review based on a statistical scoring model that estimates an SSI beneficiary’s amount of expected SSI overpayment. The frequency of scheduled SSI redeterminations for a given SSI beneficiary depends on the projected dollar amount of overpayments for that beneficiary, estimated through the predictive model. We complete unscheduled SSI redeterminations as needed when beneficiaries report certain changes in circumstance that could affect SSI payment amounts or eligibility.

The success of the redetermination process can be viewed in two different ways. From the “total payments corrected” perspective, \$1 in corrected underpayments would count the same as \$1 of corrected overpayments. Alternatively, from the “net savings” perspective, the benefit of redeterminations would be measured by the net savings to the Federal budget (i.e., overpayments corrected less underpayments corrected). Based on an analysis of FY 2010 redeterminations, we estimate that on average for every dollar spent on redeterminations in FY 2010, we corrected on average, about \$9 of overpayments and underpayments combined, and yielded net savings of roughly \$4 to \$5. The following chart displays the actual and targeted redetermination workload for FYs 2010-2014.



2. Access to Financial Institutions (AFI) Initiative

AFI is an electronic process that verifies bank account balances with financial institutions to determine SSI eligibility in SSI initial claims and redeterminations. AFI's purpose is to identify excess resources in financial accounts, which is a leading cause of SSI payment errors. In addition, AFI detects undisclosed accounts by searching for accounts geographically near the SSI applicant or beneficiary. We currently use AFI in all 50 States, the District of Columbia, and the Commonwealth of the Northern Mariana Islands.

We will reduce SSI improper payments resulting from excess financial resources by using the AFI process on all initial claims and redeterminations (i.e., review non-medical eligibility factors such as income and resources to determine continued eligibility and payment amount) and conducting up to 10 searches per individual for undisclosed accounts.

Quick Facts – AFI	
Systems Integration	AFI is integrated into our SSI automated claims systems. For most SSI initial claims and redeterminations, we automated electronic requests for financial information and incorporated that information into our Modernized SSI Claims System.
Full Implementation	Full implementation is defined as using AFI on every potential SSI claim and redetermination and assumes using a \$0-tolerance level and up to 10 geographic searches for undisclosed accounts. In October 2013, we lowered the tolerance levels from a \$750 tolerance to a \$400 tolerance and increased bank searches from 5 negative searches to 10 negative searches, moving closer to full implementation.
Program Savings Estimates	The AFI initiative is an integral, cost-effective part of our financial account verification process used in SSI eligibility determinations and redeterminations to assess liquid resources. Assuming we had used our current account verification process on a long-term basis, the account verifications we would complete in FY 2013 would yield an estimated \$365 million in lifetime Federal SSI program savings, consistent with a return on investment of about \$9 to \$1.

3. SSI Automated Telephone Wage Reporting (SSITWR) System

Changes in the amount of wages an SSI beneficiary or others in the household receive may affect the beneficiary’s payment amount or eligibility. SSI beneficiaries must report their own wages and the wages of others in the household whose incomes we consider in determining the SSI payments.

Stewardship data indicate wage-related overpayment dollars result from fluctuating income and failure to timely report an increase in wages. We created the SSITWR system to make the wage reporting process easier for both beneficiaries and our employees. Through SSITWR, individuals call a dedicated toll-free telephone number to report wages via a voice-recognition system. In May 2009, we began requiring our field offices to recruit beneficiaries, their representative payees, and household members whose wages may affect the beneficiaries’ eligibility or payment to report wages using SSITWR. We processed over 44,000 successful SSITWR reports in September 2013, surpassing our FY 2013 goal of 38,510 monthly reports.

SSITWR is a highly accurate means for beneficiaries, payees, and deemors (i.e., an individual such as a parent or spouse whose income and resources are considered in determining an applicant’s or recipient’s eligibility and payment) to report wages. Our most recent study, published in September 2013, indicates that the timely reporting of wages using SSITWR is an effective way to prevent improper payments. In addition, the study found that the number of Office of Child Support and Enforcement wage alerts were reduced, which eliminates unnecessary field office work.

An extension of the SSITWR system, the SSI Mobile Wage Reporting (SSIMWR) application provides SSI beneficiaries the ability to submit their wages via their mobile smart phones. Participants can download and use the free SSIMWR application to report wages. Like its telephone counterpart, the mobile application automatically updates the SSI record, corrects the upcoming payment, if necessary, and issues a receipt to the individual. In FY 2013, as part of our online services initiatives, we piloted the SSIMWR program with beneficiaries. We also posted a webcast to promote the use of SSITWR and SSIMWR. The pilot was successful, and we expanded SSIMWR nationally in August 2013. We received over 5,100 successful wage reports through the smartphone application in September 2013.

Starting in FY 2014, we expanded the wage reporting period, allowing individuals to report wages at any time during the month rather than just the first six days of the month.

MEDICAL CONTINUING DISABILITY REVIEWS

Medical CDRs are an important tool we use to maintain and improve our program stewardship of the DI and SSI programs.

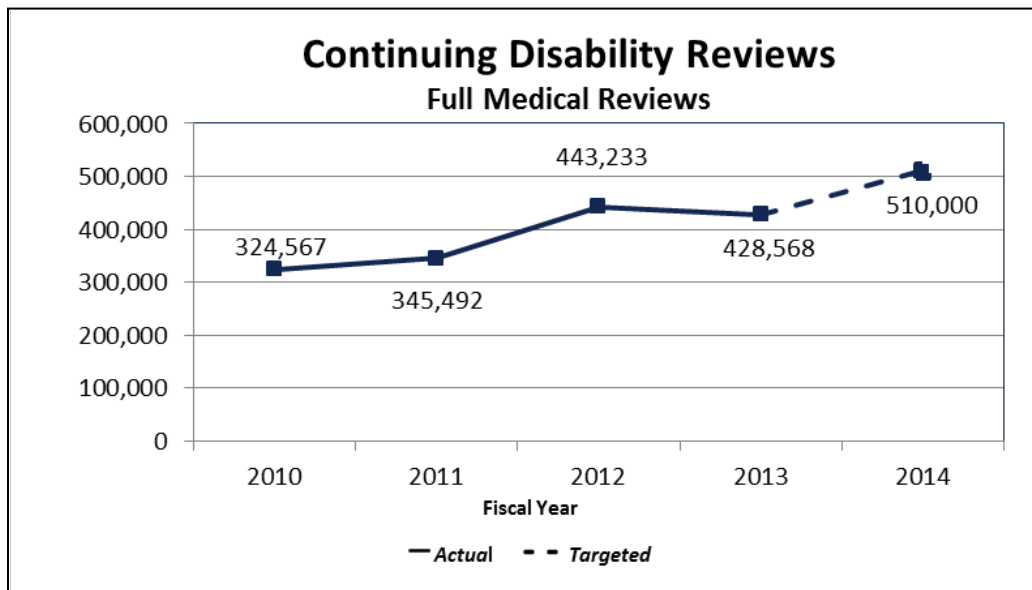
Sections 221(i) and 1614(a) of the *Social Security Act*¹⁰ require us to periodically review beneficiaries' disabilities to determine if they have medically improved. When we establish disability, we schedule each case for a periodic CDR. The frequency of review depends on the likelihood of medical improvement. We may do a CDR earlier than scheduled if we receive information that a beneficiary may no longer be disabled.

We use predictive models to identify the likelihood of medical improvement in all of our cases. We send cases with a higher likelihood of medical improvement to the State disability determination services (DDS) for full medical reviews. DDSs determine if an individual's disability benefits should continue. For those cases with a lower likelihood of medical improvement, we send mailers to obtain more information from the beneficiaries, which we evaluate to determine if there is any indication of medical improvement. If we find indication of improvement, we send the case to the DDS for a full medical review. Otherwise, we do not initiate a full medical review, but instead schedule the case for a future CDR. Predictive modeling allows us to use most of our CDR resources on cases with the highest return-on-investment potential, while using the less expensive mailer process for cases with a lower likelihood of medical improvement.

¹⁰ *Social Security Act*: http://www.socialsecurity.gov/OP_Home/ssact/comp-ssa.htm

We report annually to Congress on our CDR workload. Our most recent report¹¹ showed that we spent \$409 million completing medical CDRs in FY 2011, for an estimated present value of lifetime program benefit savings of \$5.4 billion, including Medicare and Medicaid savings. These results demonstrate that CDRs continue to be highly cost-effective. On average, since 1996 we estimate slightly over \$10 in lifetime program savings per dollar we have spent on medical CDRs, including Medicare and Medicaid program effects.

We conducted over 428,500 full medical CDRs in FY 2013. The FY 2014 President’s budget includes resources to complete 510,000 full medical CDRs, a 19 percent increase from FY 2013. The following chart displays the actual and targeted full medical CDR workload for FYs 2010-2014.



SUPPLEMENTAL MEASURES AND TARGETS

To comply with Executive Order 13520, we developed two 3-year SSI supplemental measures and targets for FYs 2014-2016:

1. Complete the number of budgeted non-medical redeterminations

The total number of SSI redeterminations we complete varies from year to year based on available resources and field office workload considerations. We completed 2,634,183 SSI redeterminations in FY 2013. The FY 2014 President’s Budget, as appropriated, includes resources to complete 2,622,000 SSI redeterminations. The FY 2015

¹¹ *Annual Report of Continuing Disability Reviews* dated September 20, 2013: <http://www.socialsecurity.gov/legislation/FY%202011%20CDR%20Report.pdf>

President's Budget will allow us to complete 2,622,000 SSI redeterminations. We anticipate the target will remain 2,622,000, subject to our funding in both FY 2015 and FY 2016.

2. Increase the number of successful wage reports received using SSITWR and SSIMWR by 6.00 percent from September of the previous fiscal year

The SSITWR system established a dedicated telephone number to allow SSI beneficiaries and their representative payees to report the beneficiary's monthly wages by calling and using a combination of touch-tone entry and voice-recognition software. In FY 2013, our goal was to increase September 2013 usage rate by 5.00 percent over the September 2012 usage rate of 36,676. Throughout FY 2013, our usage rate increased. In September 2013, the usage rate was 44,067, an increase of 20 percent over September 2012.

Beginning FY 2014, we established new criteria for the measure. We are combining successful wage report totals for SSITWR with SSIMWR because both systems transmit information via phone. For FY 2014, we established a goal to increase the September 2014 combined SSITWR and SSIMWR successful wage reports by 6.00 percent over the September 2013 SSITWR total. Through February 2014, we achieved a much higher usage rate than expected. We attribute the increase to the recently expanded reporting period, which allows individuals to report wages at any time during the month rather than just the first six days of the month. For the FY 2015 report, we will revise our FY 2015 and FY 2016 goals based on results of the September 2014 combined totals for SSITWR and SSIMWR.

These measures also support our Agency Priority Goal to reduce the improper payment rate for SSI. Our goal is to increase our SSI overpayment accuracy to 95.00 percent and our SSI underpayment accuracy to 98.80 percent by the end of FY 2015.

We discuss the SSI redeterminations workload and SSITWR and SSIMWR in more detail in the SSI corrective actions section above.

The following tables reflect our supplemental targets and measures for FY 2014-2016.

FY 2014 SSI - Supplemental Measures and Targets		
Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount or Eligibility		
<p>Cause: Beneficiaries fail to report a change that affects payment amount or eligibility.</p> <p>Program Savings: Refer to the SSI Corrective Actions for SSI Non-Medical Redeterminations section on page 11 of this report for information on our program savings.</p>	<p>By September 30, 2014, complete the budgeted amount of 2,622,000 SSI non-medical redeterminations.</p>	<p>Through March 2014, we completed 1,299,737 SSI redeterminations in FY 2014.</p>
Overpayment Due to Unreported Wages		
<p>Cause: Beneficiaries and deemors fail to report their new or increased wages.</p> <p>Error Amount: \$616 million (94 percent of all wage overpayment deficiency dollars and 18.2 percent of all overpayment deficiency dollars) in FY 2012.</p>	<p>By September 30, 2014, increase the number of successful monthly wage reports we process using SSITWR and SSIMWR by 6.00 percent above the SSITWR successful wage reports received in September 2013.</p>	<p>In March 2014, we received over 64,900 successful wage reports via SSITWR and SSIMWR and exceeded our goal.</p>

FY 2015 SSI - Supplemental Measures and Targets		
Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount or Eligibility		
<p>Cause: Beneficiaries fail to report a change that affects payment amount or eligibility.</p> <p>Program Savings: Refer to the SSI Corrective Actions for SSI Non-Medical Redeterminations section on page 11 of this report for information on our program savings.</p>	<p>The FY 2015 President's Budget will allow us to complete 2,622,000 SSI redeterminations.</p>	
Overpayment Due to Unreported Wages		
<p>Cause: Beneficiaries and deemors fail to report their new or increased wages.</p> <p>Error Amount: \$616 million (94 percent of all wage overpayment deficiency dollars and 18.2 percent of all overpayment deficiency dollars) in FY 2012.</p>	<p>By September 30, 2015, increase the number of successful monthly wage reports we process using SSITWR and SSIMWR by 6.00 percent above the SSITWR and SSIMWR successful wage reports received in September 2014.</p>	

FY 2016 SSI - Supplemental Measures and Targets		
Type of Error	Targets	Actuals
Overpayment/Underpayment Due to a Change That Affects Payment Amount or Eligibility		
<p>Cause: Beneficiaries fail to report a change that affects payment amount or eligibility.</p> <p>Program Savings: Refer to the SSI Corrective Actions for SSI Non-Medical Redeterminations section on page 11 of this report for information on our program savings.</p>	<p>By September 30, 2016, complete the amount of budgeted SSI non-medical redeterminations.</p>	
Overpayment Due to Unreported Wages		
<p>Cause: Beneficiaries and deermors fail to report their new or increased wages.</p> <p>Error Amount: \$616 million (94 percent of all wage overpayment deficiency dollars and 18.2 percent of all overpayment deficiency dollars) in FY 2012.</p>	<p>By September 30, 2016, increase the number of successful monthly wage reports we process using SSITWR and SSIMWR by 6.00 percent above the SSITWR and SSIMWR successful wage reports received in September 2015.</p>	

FRAUD, WASTE, AND ABUSE

We take our responsibility to detect and prevent fraud seriously and have a number of initiatives either in place or underway to combat fraud.

We refer possible incidents of fraud, waste, and abuse to the Office of the Inspector General (OIG) for investigation. With OIG, the DDSs, and local law enforcement, we jointly administer the Cooperative Disability Investigations (CDI) project. We have 25 CDI units nationwide, and we plan to add 7 more by the end of FY 2015. CDI units investigate individual claimants and service providers, such as doctors and lawyers, whom we suspect of facilitating and promoting disability fraud. The CDI units improve our capability to detect fraud, thereby preventing or terminating erroneous eligibility.

In FY 2013, OIG estimates that CDI efforts resulted in over \$340 million in savings to our disability programs and over \$246 million to non-Social Security Administration (SSA) programs. CDI units support our strategic goal to ensure the integrity of Social Security programs.

We are eager to help OIG in the fight against fraud. To enhance our efforts, we will centralize our review of cases identified as potentially involving fraud, especially those cases involving facilitators. We will dedicate staff to establish specialized fraud units. Highly qualified trained disability examiners, support staff, and, as needed, medical consultants (particularly in the area of psychiatric specialties) will comprise these units. The units will review all potential fraud cases from anywhere in the country.

Continuing to help OIG successfully combat fraud not only requires us to work harder, but also requires us to use new analytics tools. We are undertaking a special initiative to expand our use of data analytics to enhance our ability to detect and prevent disability fraud. We will apply analytics tools to determine common characteristics and patterns of fraud based on data from past allegations and known cases of fraud. We will apply these tools when reviewing initial applications or existing data on beneficiaries for potential fraud or other suspicious behavior. With these tools, we expect to be able to identify suspicious patterns of activity in disability claims and prevent fraudulent applications from being processed. During the remainder of FY 2014, we will develop and begin testing some of these tools.

For many years, our regional offices have successfully collaborated with regional OIG agents and local law enforcement on regional anti-fraud committees. We reinstated the National Anti-Fraud Committee, which will be co-chaired by the Inspector General and our Deputy Commissioner for Budget, Finance, Quality, and Management. The National Anti-Fraud Committee leads and supports national and regional strategies to combat fraud, waste, and abuse. This Committee also provides an open forum for senior executives to collaborate on fraud challenges and opportunities at a strategic level.

In addition, we will expand our Fraud Prosecution project. For more than a decade, in partnership with the Department of Justice, we have placed a number of attorneys from our Office of General Counsel in several Federal districts to serve as fraud prosecutors. These Special Assistant United States Attorneys are dedicated to Social Security fraud cases and have increased the number of prosecutions. We plan to hire or designate 12 additional attorneys to serve as Special Assistant U.S. Attorneys, thereby doubling our support for prosecuting fraud.

We are also taking robust measures to combat direct deposit fraud. On October 27, 2012, we implemented Phase I of the Direct Deposit Fraud Prevention Project, which allows RSDI and SSI beneficiaries to request we block specific direct deposit transactions to their records. In addition, we modified some of our business processes and implemented a stronger online system known as *my Social Security*,¹² which requires users to authenticate their identity with out-of-wallet questions (i.e., information not easily available to others). We also enhanced our procedures for verifying the identity of individuals who request direct deposit changes via phone. Phase II of the initiative will include notice improvements and various systems enhancements in support of our anti-fraud efforts. One of these efforts was completed in September 2013 when we blocked direct deposit changes to routing numbers associated with high volumes of fraud. We identified several routing numbers associated primarily with prepaid debit cards that fraudsters frequently used to redirect beneficiary payments. This change not only helped to

¹² The *my Social Security* portal: <http://www.socialsecurity.gov/myaccount/>

decrease direct deposit fraud through the *my Social Security* portal but also had a significant impact on the fraudulent auto-enrollment changes, with almost 40,000 attempts thwarted since its implementation.

In September 2013, we implemented the Public Facing Integrity Review system to monitor potentially fraudulent online transactions. We use this tool to investigate suspicious direct deposit transactions on *my Social Security* and to take steps to mitigate any losses to our agency and customers. By using our new integrity review system, during the period September 13, 2013 through April 4, 2014, we prevented the attempted theft of over 2,600 benefit payments or slightly more than \$3 million.

We are also collaborating with the Department of the Treasury (Treasury) on fraud detection activities. Together, we are developing a reclamation process to recover funds from financial institutions processing fraudulent automated enrollments for direct deposit of benefit payments.

PLANS FOR ENSURING THAT INITIATIVES DO NOT BURDEN PROGRAM ACCESS/PARTICIPATION

Executive Order 13520 mandates agencies to reduce improper payments while continuing to ensure that Federal programs serve their intended beneficiaries. Specific OMB guidance on this reporting requirement is not yet available, and we will provide our plan in future reports after we receive this guidance. In the interim, the following information describes our initiatives to increase online services and ensure that our efforts to reduce improper payments do not impede access to our services.

In increasing numbers, the public expects to conduct business over the Internet. To handle the increase in benefit applications, we created a new, easy-to-use online benefit application. This application will also fulfill the public's expectation for convenient, effective, and secure electronic services.

In January 2013, we enhanced our benefits application, providing access to all parts of the disability claim process via a single access point. We streamlined the process to use one number to re-enter and submit the claim and expanded the online process to allow applicants living in foreign countries access to complete the disability report. Additionally, we reduced the collection of redundant data within the application process, eliminating key strokes and facilitating completion.

Our Internet services provide the public with the ability to conduct business at their convenience and at their own pace, without visiting a field office. We ask questions relevant only to the applicant, making it easier and faster to file for benefits online. We also updated our Disability Benefit Application information webpage. We explain the advantages of applying for disability online and outline the four steps to submit a completed application. We also provide links to additional information about our disability program.

The public's increased use of online services reduces the average time our employees spend completing claims. Preliminary studies show that the enhancements made to our online disability application process have increased the number of complete claims packages received by about 20 percent. The time saved through using technology where possible allows our front-line staff to focus on those tasks that truly require face-to-face service to handle more complicated issues.

In May 2012, we launched the *my Social Security* portal to enable people to go online and access their *Social Security Statement*. In January 2013, we expanded the services available with a *my Social Security* online account. Our beneficiaries now can access their benefit verification letter, payment history, and earnings record instantly. Beneficiaries can also change their address and start or change direct deposit information online.

BENEFIT OVERPAYMENT COLLECTION

In addition to our efforts to prevent and detect improper payments, we have a comprehensive RSDI and SSI debt collection program. We recovered \$3.46 billion in program debt in FY 2013 at an administrative cost of \$0.07 for every dollar collected, and we recovered \$16.12 billion over a five-year period (FYs 2009-2013).

To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and followup), as well as the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for RSDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

We developed a system to handle the Treasury Offset Program (TOP), credit bureau reporting, and Administrative Wage Garnishment (AWG). Because the system includes more than TOP and is the basis for any future collection interfaces with agencies or entities outside the agency, we call it the External Collection Operation (ECO) system.

In September 2013, we enhanced ECO to collect delinquent debts through Treasury's State Reciprocal Program (SRP). SRP allows States to enter into reciprocal agreements with Treasury to collect unpaid State debt by offset of Federal non-tax payments. In return, the agreements allow the Federal Government to collect delinquent non-tax debt by offset of State payments.

As authorized by Public Law 110-246, in May 2012, we enhanced ECO to collect delinquent debts through TOP beyond the previous 10-year statute of limitations. Through FY 2013, we notified 310,000 former beneficiaries with delinquent debts of 10 years or more of our ability to collect their delinquent debt through TOP. We expect to complete the due process notification to all debtors by the end of FY 2014.

Improvement in other aspects of our debt collection program is underway. As resources permit, we will expand the Non-Entitled Debtors (NED) program and implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include

charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value. In addition, we will assess the use of private collection agencies in debt collection.

The following table provides a description of our existing debt collection tools we use to recover RSDI and SSI overpayments and a summary of the results.

Cumulative Programmatic Debt Recovery Methods Through FY 2013
(dollars in billions)

Recovery Method	Inception	Description	RSDI	SSI	TOTAL
TOP	1992	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal Salary Offset. We collected \$195.3 million in FY 2013 through this initiative.	\$1.427	\$0.926	\$2.353
Credit Bureau Reporting	1998	We report delinquent debts owed by former RSDI and SSI beneficiaries to credit bureaus. Credit bureau reporting contributed to the recovery of \$70.8 million in FY 2013.	\$0.457	\$0.329	\$0.786*
Cross Program Recovery	2002	Cross program recovery collects RSDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly RSDI benefit payments and underpayments. We collected \$144.0 million** through cross program recovery in FY 2013.	\$0.177	\$0.814	\$0.991
NED	2005	NED is an automated system used to control recovery activity for debtors who are not entitled to benefits (e.g., representative payees who receive payments after the death of a beneficiary). We used NED to recover \$3.6 million in FY 2013.	\$0.029	N/A	\$0.029***
AWG	2005	AWG allows us to recover delinquent RSDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable pay. We collected \$19.0 million through this process in FY 2013.	\$0.110	\$0.022	\$0.132
Automatic Netting SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" \$124.0 million in FY 2013.	N/A	\$1.237	\$1.237
Total			\$1.714	\$2.999	\$4.713

Notes:

* Credit bureau reporting is a subset of TOP collections.

**The cross program recovery total for FY 2013 includes all cross program recoveries; however, the cumulative cross program recovery totals include only those totals we can track since inception.

***NED is a subset of TOP and AWG collections.

IMPROPER OVERPAYMENTS RECOVERY TARGET

Executive Order 13520 requires each agency to set targets for the recovery of its improper payments. We selected an initiative-based target: to implement eliminating the 10-year statute of limitations, which allows us to refer more delinquent debt to TOP. The TOP initiative is discussed in the Benefit Overpayment Collection section on pages 22 and 23.

This change allows us to pursue collection via TOP from approximately 400,000 debtors with debts previously unavailable for collection due to the 10-year statute of limitation. Full implementation will give us the potential to collect an additional \$700 million dollars in delinquent RSDI and SSI debt based upon initially notifying debtors of amounts due.

Prior to our referral of these additional debts to Treasury, we updated our systems to select the additional debts and notify the debtors of our intent to refer their delinquent debt and provide them required due process. We used a two-phased approach to achieve this target as discussed below.

Phase I – Update Systems: We expected to complete, by September 30, 2012, the systems enhancements to implement referral of delinquent debts older than 10 years to TOP. We completed our systems update in May 2012, four months ahead of schedule.

Phase II – Notify Debtors: Following implementation of the systems enhancements, we plan to send a prorated number of notices each month. We are currently sending 15,000 due process notices to our debtors each month. We expect to complete the required due process notices to all debtors by the end of FY 2014.

We will work with OMB to establish future targets to recover our improper payments.

HIGH-DOLLAR IMPROPER PAYMENT QUARTERLY REPORT

Executive Order 13520 requires each agency head to report quarterly on any high-dollar improper payments, submit this report to the agency's Inspector General and the Council of Inspectors General on Integrity and Efficiency, and make the report available to the public.

OMB Circular No. A-123, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments*, defines a high-dollar overpayment as any overpayment made to an individual or entity in excess of 50.00 percent of the correct amount of the intended payment, where:

- The total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter; or
- The payment to an entity exceeds \$25,000 as a single payment or in cumulative payments for the quarter.

OMB recognized the resource and operational challenges of this requirement and worked with us to develop a methodology to identify high-dollar overpayments. OMB confirmed that quarterly reports of high-dollar overpayments are limited to improper overpayments, and we do not extrapolate those instances to the entire RSDI and SSI programs. Instead, we report specific incidents of high-dollar improper payments. In addition, OMB agreed to our use of our stewardship samples to identify cases that meet the criteria for high-dollar improper payment reporting. To date, we have not identified any high-dollar improper payments.

OIG conducts periodic reviews of our quarterly high-dollar improper payments reports. Most recently, OIG's Quick Response Evaluation, *SSA's Reporting of High-Dollar Overpayments Under Executive Order 13520 in Fiscal year 2013*,¹³ issued in December 2013, contains no recommendations. OIG stated that the data obtained through the stewardship reviews provided adequate results for payment accuracy, but it limited the proper analysis of cases as part of the reporting of high-dollar overpayments. The OIG stated that OMB approves of the agency's use of the stewardship reviews for identifying high-dollar overpayments.

¹³ The OIG Quick Response Evaluation: <http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-15-13-13115.pdf>

APPENDIX
SOCIAL SECURITY ADMINISTRATION
IMPLEMENTATION OF EXECUTIVE ORDER 13520
FACT SHEET

Improper Payment Definition: For the purpose of Executive Order 13520, *Reducing Improper Payments*, the definition of an improper payment is the same as that contained in the *Improper Payments Information Act of 2002 (IPIA)*¹⁴ and Office of Management and Budget (OMB) Circular No. A-123, Appendix C, Parts I and II, *Requirements for Effective Measurement and Remediation of Improper Payments*.¹⁵

“An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service). An improper payment includes any payment that was made to an ineligible beneficiary or for an ineligible service, duplicate payments, payments for services not received, and payments that are for an incorrect amount. In addition, when an agency’s review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error.

The term ‘payment’ in this guidance means any payment (including a commitment for future payment, such as a loan guarantee) that is:

- *Derived from Federal funds or other Federal sources;*
- *Ultimately reimbursed from Federal funds or resources; or*
- *Made by a Federal agency, a Federal contractor, a governmental or other organization administering a Federal program or activity.”*

Consistent with IPIA and OMB guidelines, we consider payments improper (both overpayments and underpayments) if they result from:

- Our mistake in computing the payment;
- Our failure to obtain or act on available information affecting the payment;
- A beneficiary’s failure to report an event; or
- A beneficiary’s incorrect report.

¹⁴ IPIA: http://www.whitehouse.gov/sites/default/files/omb/financial/_improper/PL_107-300.pdf

¹⁵ OMB guidance for IPIA: <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2011/m11-16.pdf>

Not all overpayments and underpayments are improper. Certain overpayments are unavoidable, and not improper, if the payment is required by statute, regulation, or court order (e.g., continued payments required by due process procedures). The *Social Security Act*¹⁶ allows beneficiaries, in prescribed circumstances, to request continuation of their benefits while they appeal an adverse action. If the appeal decision is not in their favor, the resulting overpayment is not improper because it was statutorily required at the point we made it. When used in this report, the term “overpayment” or “underpayment” is referring to an improper overpayment or underpayment.

High-Error Program Definition¹⁷: OMB Circular No. A-123, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments*,¹⁸ defines high-error programs as follows:

“The Director of OMB will classify a program as high-error if the program meets the following criteria:

- *It is susceptible to significant improper payments as defined by legislation and OMB implementing guidance and either:*
 - *Measured and reported errors above the threshold determined by OMB and contributed to the majority of improper payments in the most recent reporting year; or has not reported an improper payment dollar amount in the most recent reporting year, but has in the past reported errors above the threshold determined by OMB and not received relief from OMB from measuring and reporting; or*
 - *Has not yet reported an overall program improper payment dollar amount, but the aggregate of the measured program’s component errors are above the threshold.*
- *For those programs with error amounts close to the threshold, but with error rates below 2 percent of program outlays, agencies may work with OMB to determine if the program can be exempt from fulfilling certain requirements of the Executive Order.”*

The Director of OMB will annually identify high-error programs based upon improper payment reporting in our annual Agency Financial Report (AFR).¹⁹ The FY 2010 threshold is \$750 million in improper payments. Annually, OMB may redefine the improper payments threshold; however, OMB did not alter the threshold amount in FYs 2011-2013.

¹⁶ *Social Security Act*: http://www.socialsecurity.gov/OP_Home/ssact/comp-ssa.htm

¹⁷ OMB changed “High-Priority Program” to “High-Error Program.”

¹⁸ OMB guidance for Executive Order 13520:
http://www.whitehouse.gov/sites/default/files/omb/assets/memoranda_2010/m10-13.pdf

¹⁹ AFR: <http://www.ssa.gov/finance/>

The following table shows error rates and reporting requirements for our major types of payments.

Improper Payments Reporting Requirements (Error Rates for FY 2012)				
Payment Type	Overpayment Error Rate (percent)	Underpayment Error Rate (percent)	Susceptible to Improper Payments	High-Error Program
RSDI	0.22	0.10	✓	✓ *
SSI	6.34	1.78	✓	✓
Administrative/Limitation on Administrative Expenses	0.07**	0		
Notes: * RSDI supplemental targets are not required because error rates are less than 2.00 percent. **The percentage only includes results from our review of payroll and benefit, vendor, and travel payments.				

High-Dollar Improper Payment Definition: OMB Circular No. A-123, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments*, defines a high-dollar overpayment as any overpayment made to an individual or entity in excess of 50.00 percent of the correct amount of the intended payment, where:

- The total payment to an individual exceeds \$5,000 as a single payment or in cumulative payments for the quarter; or
- The payment to an entity exceeds \$25,000 as a single payment or in cumulative payments for the quarter.