SOCIAL SECURITY

MEMORANDUM

Date: March 15, 2013

Refer To: 20130305-0165209

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

From: Carolyn W. Colvin
Acting Commissioner

Subject: Fourth Annual Accountable Official's Report—Executive Order 13520, *Reducing Improper Payments*—INFORMATION

As the Social Security Administration's Accountable Official for improper payments, I am pleased to submit our fourth annual report on Reducing Improper Payments, in compliance with Executive Order (EO) 13520. This directive:

- Implements a multi-year plan to enhance governmentwide program integrity efforts;
- Challenges agencies to identify and eliminate the most significant causes of improper payments;
- Provides public transparency by allowing scrutiny of improper payments; and
- Develops targets for reducing improper payments.

We fully support the President's initiative. We take pride in our ability to protect and carefully manage the programs entrusted to us. We have earned the public's trust, and we intend to do everything we can to keep it. In fiscal year 2012, we paid over 61 million people about $810 billion in Social Security benefits and Supplemental Security Income payments. We are firmly committed to sound management practices, including using accurate metrics for evaluating our programs' integrity and taking appropriate enforcement and recovery actions.

As required by the EO, this report contains our methodology for identifying and measuring improper payments in our high-priority programs, and our plan for redcuing improper payments including our supporting anlaysis for:

- Meeting the reduction targets for improper payments in our high-priority programs; and
- Ensuring that initiatives undertaken pursuant to the EO do not unduly burden program access and participation by eligible beneficiaries.

Please refer any questions concerning this report to Stephanie Hall, our Deputy Commissioner for Quality Performance, at extension 59704.

Attachment

Social Security Administration

Accountable Official's Annual Report

Executive Order 13520, Reducing Improper Payments

March 2013

Introduction

This report 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 an agency with high-error programs to submit an annual report to its Inspector General. The 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 the program;
    - 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
    - Explanation of the program's performance in meeting its reduction targets.

- Plan, with supporting analysis, for ensuring that initiatives undertaken pursuant to the Executive Order do not unduly burden program access and participation by eligible beneficiaries.

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[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 for additional 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] The FY 2011 error rates for RSDI overpayments and underpayments were 0.32 percent and 0.13 percent, respectively. However, RSDI meets the OMB definition because each 0.10 percentage point represents about $717 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 2011 error rates for SSI overpayments and underpayments were 7.34 percent and 1.83 percent, respectively. Because the error rate exceeds the 2.00 percent threshold, we must establish supplemental measures and targets. 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 2012-2013 focuses on reducing SSI overpayments. We detail our efforts to reduce improper payments and recover overpayments in the sections that follow.

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[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 2011.

[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 workers' earnings from employment and self-employment covered under Social Security. We pay retirees and their dependent spouses and minor 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 Plan[5] includes an RSDI payment accuracy performance measure. We use stewardship reviews to measure payment accuracy. We select cases monthly and review about 1,760 cases each year. For each case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility as of the sample month. We input the findings into a national database for analysis and report preparation. We issue an internal annual 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]

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 2011 report on reviews of monthly samples of our RSDI payments issued from October 2010 through September 2011.

Improper Payment Experience

We continued to maintain high payment accuracy for RSDI in FY 2011. Our overpayment error rate was 0.32 percent, or $2,277 million–slightly higher than our target of 0.20 percent. Our underpayment error rate was 0.13 percent, or $946 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 2009-2011.

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[5] Annual Performance Plan for Fiscal Year 2012: http://www.socialsecurity.gov/performance/2012/APP%202012%20508%20PDF.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 2009 – FY 2011 (dollars in millions)						
	FY 2009		**FY 2010**		**FY 2011**	
	Dollars	**Rate**	**Dollars**	**Rate**	**Dollars**	**Rate**
RSI						
Total Benefit Payments	$544,478		$572,569		$588,865	
Overpayment Error	$841	0.15%	$1,878	0.33%	$653	0.11%
Underpayment Error	$428	0.08%	$527	0.09%	$468	0.08%
DI						
Total Benefit Payments	$115,087		$122,899		$128,086	
Overpayment Error	$1,706	1.48%	$844	0.69%	$1,624	1.27%
Underpayment Error	$191	0.17%	$1,261	1.03%	$479	0.37%
RSDI						
Total Benefit Payments	$659,565		$695,469		$716,951	
Overpayment Error	$2,547	0.37%	$2,722	0.39%	$2,277	0.32%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%
Underpayment Error	$619	0.09%	$1,788	0.25%	$946	0.13%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FY 2009 and FY 2010 are actual cash outlays. Total benefit payments for FY 2011 represent estimated cash outlays while reviewing payment accuracy and may vary from actual cash outlays. RSDI totals may not equal the sum of RSI and DI amounts due to rounding.
2. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
3. RSI statistical precision is at the 95.00 percent confidence level for all rates shown. Confidence intervals are: for FY 2009, +0.15 percent and -0.17 percent for overpayments and ±0.05 percent for underpayments; for FY 2010, +0.32 percent and -0.35 percent for overpayments and ±0.03 percent for underpayments; and for FY 2011, ±0.08 percent for overpayments and +0.07 percent and -0.08 percent for underpayments.
4. DI statistical precision is at the 95.00 percent confidence level for all rates shown. Confidence intervals are: for FY 2009, ±1.33 percent for overpayments and +0.16 percent and -0.17 percent for underpayments; for FY 2010, +0.68 percent and -0.72 percent for overpayments and +0.88 percent and -0.87 percent for underpayments; and for FY 2011, ±1.21 percent for overpayments and +0.36 percent and -0.49 percent for underpayments.
5. Changes in the RSDI error rates from FY 2010 to FY 2011 are not statistically significant. For FY 2009 to FY 2010, the changes in the DI error rates are not statistically significant. The change in the overall RSDI underpayment error rates from FY 2009 to FY 2010 is a statistically significant increase. While significant, the overall underpayment rate changed by only 0.16 percentage points.

Improper Payment Goals

The table below shows the RSDI improper payment goals. We plan to maintain an error rate of 0.20 percent for overpayments and underpayments for FYs 2012-2014.

RSDI Improper Payments Reduction Outlook
FY 2012 – FY 2014
(dollars in millions)

	2012 Target		2013 Target		2014 Target	
	Dollars	**Rate**	**Dollars**	**Rate**	**Dollars**	**Rate**
RSDI						
Total Benefit Payments	$767,542		$814,846		$861,650	
Overpayments	$1,535	0.20%	$1,630	0.20%	$1,723	0.20%
Underpayments	$1,535	0.20%	$1,630	0.20%	$1,723	0.20%

Notes:

1. We do not have separate RSI and DI targets (goals); therefore, we present a combined RSI and DI target.
2. FY 2012 data will not be available until April 2013; therefore, the rates shown are targets (goals).
3. Total benefit payments for FYs 2012-2014 are estimates consistent with projections for the President's FY 2013 Budget.

Major Causes of RSDI Improper Payments

In the following tables, we list the major causes of RSDI overpayment and underpayment dollars for FYs 2007-2011. These dollar amounts represent a five-year rolling average.

Major RSDI Error Dollar Overpayments ($ in Millions)		
Substantial Gainful Activity (SGA)	$879	When a disability beneficiary works, a number of factors determine if the individual 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	$337	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.
Earnings History	$228	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 benefits.

Major RSDI Error Dollar Underpayments ($ in Millions)		
Computations	$385	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	$187	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 benefits.
Workers' Compensation (WC)	$116	If a person receives both WC and Social Security disability benefits, the total amount of these benefits cannot exceed 80.00 percent of his or her average current earnings before becoming disabled. If the total exceeds that amount, we reduce Social Security disability benefits until reaching the 80.00percent threshold. Underpayments occur when the beneficiary's WC decreases or ceases, and we do not adjust the disability benefit.

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 2007-2011 accounted for about 28.00 percent of total, i.e., overpayment and underpayment, RSDI error dollars. SGA accounted for about 40.00 percent of all RSDI overpayment error dollars for FYs 2007-2011.

The process for making SGA determinations has inherent delays that contribute to the magnitude of overpayments. The inherent delays result from an individual's delayed or non-report of work activity 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 2012, we completed about 287,650 work CDRs. These CDRs resulted in more than 123,740 cessations of benefits or subsequent reinstatements or suspensions of benefits during the extended period of eligibility.

The following are some 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 (MEF). This process 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. We prioritize and process the cases with highest earnings to minimize overpayments.

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.

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[8] In calendar year 2013, SGA is $1,040 per month for non-blind beneficiaries and $1,740 per month for blind beneficiaries.

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 our New York Region, and we expanded the pilot to include over 50.00 percent of the work CDR cases, with the inclusion of the Kansas City Region and the Office of Central Operations. The predictive model prioritizes CDREO alerts according to the likelihood of risk of a "critical" overpayment ($20,000 or more). Prioritization is based on historical earnings, prior CDREO alerts, previous benefit increases due to earnings, overpayments, amount of monthly benefits, time on the rolls, and impairment codes. We deliver the prioritized alerts to the processing centers so they can start processing high-risk cases first.

   - In October 2012, we began to pilot a process that integrates our Automated Earnings Reappraisal Operation (AERO) with the CDREO model to identify pending recomputation cases that also have pending work CDRs. The beneficiaries identified are at risk of receiving large earnings-related overpayments because they may receive improper benefit increases from AERO before the work CDR is complete. We delay the increase in benefits for six months for the highest predicted 10.00 percent of cases to provide additional time to complete work CDRs.

3. **Legislative Proposal**

   We have requested reauthorization of our demonstration authority, which will allow us to test important improvements in our DI return-to-work rules. The Work Incentives Simplification Pilot will test improvements to our return-to-work rules. These improvements have the potential to reduce current barriers to employment by simplifying how we treat beneficiary earnings and eliminating work as a reason for terminating DI benefits. The improvements also have the potential to reduce improper payments.

SSI

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 any of these factors, e.g., an increase of their resources or a change in their wages. Failure to report payment-affecting changes is the primary cause of both overpayment and underpayment errors.

STEWARDSHIP REVIEWS

For the SSI program, we derive accuracy rates from reviewing sampled SSI cases with a payment in at least one month of the fiscal year under review. We review cases monthly. 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 actual payment and what the quality reviewer determined we should have paid as an overpayment or underpayment error. For FY 2011, we reviewed 4,252 cases. We report the overpayment and underpayment accuracy rates separately. Our FY 2011 error rate for overpayments was 7.34 percent, slightly above our target of 6.70 percent. Our underpayment error rate for FY 2011 was 1.83 percent, slightly higher than our target of 1.20 percent. We based our FY 2011 report on monthly samples of our SSI payments issued from October 2010 through September 2011.

Improper Payment Experience

Our greatest payment accuracy challenge is the SSI overpayment error rate, which has recently been as high as 10.30 percent (in FY 2008) and as low as 6.65 percent (in FY 2010). The SSI underpayment error rate is relatively low. The five-year underpayment trend is stable, and the difference in underpayment error between FY 2007, at 1.50 percent, and FY 2011, at 1.83 percent, is negligible.

Many factors influence SSI payment accuracy. Increased SSI redeterminations generally have a positive effect on payment accuracy. Additional factors, such as timely reporting of changes in income and resources by SSI beneficiaries (or their representative payees) can affect SSI payments. Also, 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-disability 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 2009-2011.

SSI Improper Payments Experience FY 2009 – FY 2011 (dollars in millions)			
	FY 2009	**FY 2010**	**FY 2011**
Total Federally-Administered Payments			
Dollars	$48,294	$50,276	$51,654
Overpayments			
Dollars	$4,040	$3,344	$3,791
Target Rate	≤4.00%	≤8.40%	≤6.70%
Actual Rate	8.36%	6.65%	7.34%
Underpayments			
Dollars	$787	$1,227	$947
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.63%	2.44%	1.83%

Notes:

1. Total federally-administered payments represent estimated program outlays while conducting the payment accuracy stewardship reviews and may vary from actual outlays.
2. The percentages and dollar amounts presented 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.
3. SSI statistical precision is at the 95.00 percent confidence level for all rates shown. Confidence intervals are: for FY 2009, ±1.50 percent for overpayments and ±0.03 percent for underpayments; for FY 2010, ±1.05 percent for overpayments and ±0.66 percent for underpayments; and for FY 2011, ±1.08 percent for overpayments and ±0.38 percent for underpayments.
4. The increase in the underpayment rate from FY 2009 to FY 2010 is statistically significant. It was mainly due to the failure of beneficiaries to report: 1) a living arrangement change from "household of another" to "own household;" or 2) a stoppage of work or a decrease in the amount of wages received.

Improper Payment Goals

The following table details the SSI improper payment goals for FYs 2012-2014. 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 2012 – FY 2014 (dollars in millions)						
	2012 Target		2013 Target		2014 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Federally-Administered Payments	$55,254		$57,875		$60,351	
Overpayments	$2,763	5.00%	$2,894	5.00%	$3,018	5.00%
Underpayments	$663	1.20%	$695	1.20%	$724	1.20%

Note:

1. Total federally-administered SSI payments are estimates consistent with projections for the President's FY 2013 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 2007-2011. These dollar amounts represent the five-year rolling average.

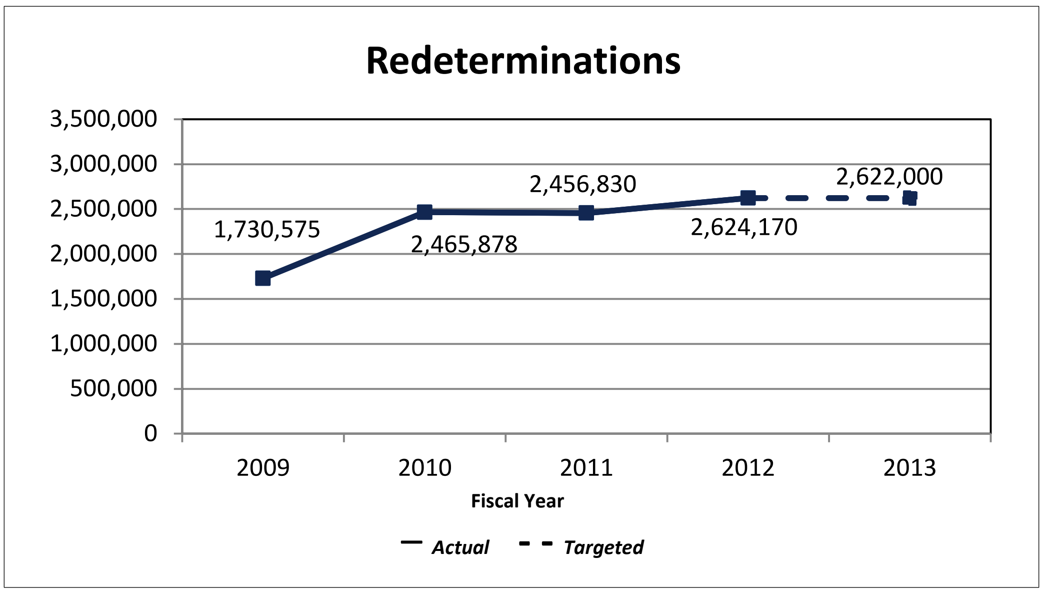
Major SSI Error Dollar Overpayments ($ in Millions)		
Financial Accounts	$1,001	The applicant or beneficiary (or his or her parent or spouse) has financial accounts that exceed the allowable resource limits ($2,000 individual/$3,000 couple) that may result in periods of SSI program ineligibility.
Wages	$671	The beneficiary (or his or her parent or spouse) has actual wages that exceed the wage amount used to calculate payment.
Other Real Property	$297	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)		
In-Kind Support and Maintenance	$255	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.
Living Arrangements	$245	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, the beneficiary is due a higher payment amount.
Wages	$205	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-Disability Redeterminations

SSI payments can fluctuate monthly depending on changes in non-disability factors of eligibility, such as income, resources, and living arrangements. To ensure we pay SSI payments in the correct amount and only to eligible individuals, we conduct SSI redeterminations, which are periodic reviews of SSI non-disability eligibility factors. Generally, redeterminations are an effective tool to detect and prevent improper payments in the SSI program. Redeterminations can be scheduled or unscheduled. Scheduled redeterminations are selected automatically for review based on profile models that estimate an SSI beneficiary's likelihood of a change in circumstance. The frequency and the extent of scheduled SSI redeterminations for a given SSI beneficiary depend on the projected dollar amount of overpayments for that beneficiary, estimated through the profile models. We complete unscheduled SSI redeterminations as needed when beneficiaries report certain changes in circumstance that could affect the continuing SSI payment amount or eligibility. The following chart displays the actual and targeted redetermination workload for FYs 2009-2013.



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 located 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.

Quick Facts – AFI	
Systems Integration	In March 2012, we completed a major step towards full integration of AFI 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.
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

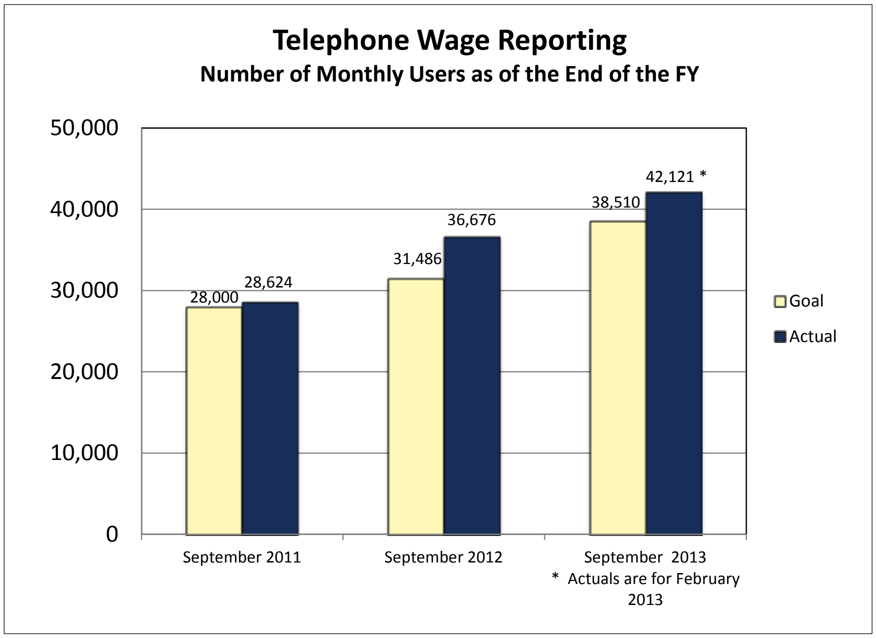
Changes in the amount of wages an SSI beneficiary or others in the household receive may affect the beneficiary's payment amount or eligibility. SSI beneficiaries must report their own wages and the wages of others in the household whose incomes we consider in determining the SSI payments.

Stewardship data indicate that 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 the beneficiaries and our employees. Through SSITWR, individuals call a dedicated toll-free telephone number to report their 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 influence the beneficiaries' eligibility or payment to report wages using SSITWR.

SSITWR Accuracy: SSITWR wage reports are highly accurate. The dollar accuracy of wages reported using this system is 92.20 percent, compared to the 75.50 percent dollar accuracy of wage estimates on the SSI record prior to SSITWR.

SSITWR Expansion: We are seeking new ways to promote SSITWR. In September 2012, we expanded our representative payee outreach and mailed more than 32,000 recruitment notices to the representative payees of working SSI beneficiaries. Beginning in December 2012, SSI beneficiaries (or their parent, spouse, or representative payee) serviced by 50 selected field offices are able to use their Android or iPhone to report their monthly wage amounts using a smart phone application. This application is an extension of the SSITWR automated system that ensures the wage amounts post timely to the individual's record. Our front-line employees continue to recruit new monthly reporters and promote the use of SSITWR and the smart phone application for wage reporting.

Quick Facts - SSITWR	
Current Status	Program is available nationwide.
Ease of Use	Uses voice-recognition software. A participant training package and instructional CD-ROMs are available.
Resource Savings	No additional evidence generally needed once report is received.
Accuracy Rate	Reported wages are 92.20 percent accurate.



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.

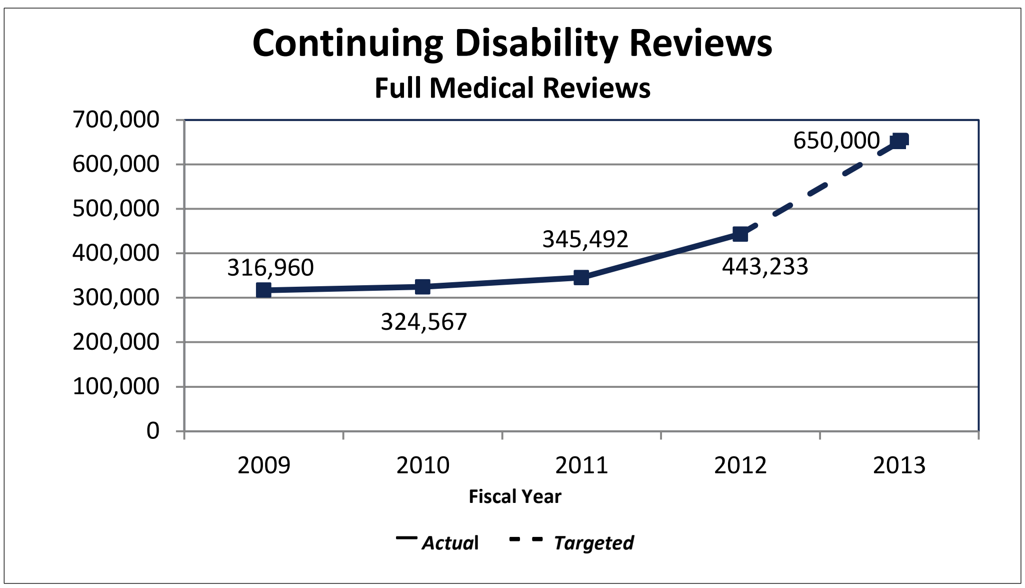
Sections 221(i) and 1614(a) of the *Social Security Act*[9] require us to periodically review beneficiaries' disabilities to determine if they have medically improved. When disability is established, we schedule each case for a periodic CDR. The frequency of review depends on the likelihood of medical improvement. We may do a CDR earlier than scheduled if we receive information that a beneficiary may no longer be disabled. The State disability determination services (DDS) determine if an individual's disability benefits should continue.

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

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 DDS for full medical reviews. 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.

We report annually to Congress on our CDR workload. Our most recent report[10] showed that we spent $381 million completing medical CDRs in FY 2010, for an estimated present value of lifetime program benefit savings of $3.5 billion**,** including Medicare and Medicaid savings. These results demonstrate that CDRs continue to be highly cost-effective. We estimate that every dollar spent on medical CDRs yields at least $9 in lifetime program savings, including savings accruing to Medicare and Medicaid.

We conducted 443,233 full medical CDRs in FY 2012. The FY 2013 President's budget includes resources to complete 650,000 full medical CDRs. The following chart displays the actual and targeted full medical CDR workload for FYs 2009-2013.



[10] *Annual Report of Continuing Disability Reviews* dated May 1, 2012: http://www.socialsecurity.gov/legislation/FY%202010%20CDR%20Report.pdf

SUPPLEMENTAL MEASURES AND TARGETS

To comply with Executive Order 13520, we developed two two-year SSI supplemental measures and targets for FYs 2013 and 2014:

1. **Complete the number of budgeted non-disability 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 2,624,170 SSI redeterminations in FY 2012. The FY 2013 President's Budget includes resources to complete 2,622,000 SSI redeterminations, and, with adequate resources, we anticipate completing the amount of redeterminations budgeted in FY 2014.

2. **Increase the number of successful wage reports received using SSITWR by 5.00 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 their monthly wages by calling and using a combination of touch-tone entry and voice-recognition software. In FY 2012, our goal was to increase monthly usage rates by 10.00 percent over FY 2011 monthly usage rates. We ended FY 2011 with a usage rate of 28,624. Throughout FY 2012, our usage rates increased. We ended FY 2012 with a usage rate of 36,676, an increase of 28.13 percent over FY 2011.

These measures also support our Agency Priority Goal to increase our SSI overpayments payment accuracy to 95.00 percent for FY 2013.

We discussed the SSI redeterminations workload and SSITWR initiative in the SSI corrective actions section above.

The following tables reflect our supplemental targets and measures for FYs 2013 and 2014.

FY 2013 SSI - Supplemental Measures and Targets		
Type of Error	**Targets**	**Actuals**
Overpayment/Underpayment because of a Change that Affects Payment Amount or Eligibility		
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** We estimate every dollar spent on SSI redeterminations yields about $6 in program savings over 10 years, including savings accruing to Medicaid (as of the FY 2013 President's Budget).[11]	By September 30, 2013, complete the 2,622,000 SSI non-disability redeterminations budgeted.	As of February 2013, we completed over 1,067,000 SSI redeterminations.
Overpayment due to Unreported Wages		
Cause: Beneficiaries fail to report their new or increased wages. **Error Amount:** $540 million (12.60 percent of all overpayment deficiency dollars) in FY 2011.	By the end of FY 2013, increase the monthly use of SSITWR by 5.00 percent above the usage in September 2012.	In February 2013, we received over 42,000 successful wage reports via SSITWR and exceeded our goal.

[11] The Medicaid estimates now reflect the effects of a provision of the *Affordable Care Act*. That provision mandates extended Medicaid coverage beginning in January 2014 for individuals under age 65 with income up to 138 percent of the poverty level.

FY 2014 SSI - Supplemental Measures and Targets		
Type of Error	**Targets**	**Actuals**
Overpayment/Underpayment due to a Change that Affects Payment Amount or Eligibility		
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** We estimate every dollar spent on SSI redeterminations yields about $6 in program savings over 10 years, including savings accruing to Medicaid (as of the FY 2013 President's Budget).[12]	By September 30, 2014, complete the amount of SSI non-disability redeterminations budgeted.	
Overpayment due to Unreported Wages		
Cause: Beneficiaries fail to report their new or increased wages. **Error Amount:** $540 million (12.60 percent of all overpayment deficiency dollars) in FY 2011.	By the end of FY 2014, increase the monthly use of SSITWR by 5.00 percent above the usage in September 2013.	

FRAUD, WASTE, AND ABUSE

We take our responsibility to detect and prevent fraud seriously. 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, which consists of 25 CDI units nationwide. 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 2012, OIG estimates that CDI efforts resulted in over $339 million in savings to our disability programs and over $234 million to non-Social Security Administration (SSA) programs. CDI units support our strategic goal to ensure the integrity of Social Security programs, with zero tolerance for fraud.

[12] The Medicaid estimates now reflect the effects of a provision of the Affordable Care Act. That provision mandates extended Medicaid coverage beginning in January 2014 for individuals under age 65 with income less than 138 percent of the poverty level.

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,*[13] 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.

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 efforts to increase online services, which helps 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 application. This application will also fulfill the public's expectation for convenient, effective, and secure electronic services.

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 needed 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. Our employees use the time saved to handle more complicated issues. However, we review every online application and contact applicants to resolve any issues we identify on their applications.

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.

[13] The *my Social Security* portal: http://www.socialsecurity.gov/myaccount/

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 $3.26 billion in program debt in FY 2012 at an administrative cost of $0.07 for every dollar collected, and $15.49 billion over the five-year period FY 2008-2012. The following table shows existing debt collection tools we use to recover RSDI and SSI overpayments.

Cumulative Programmatic Debt Recovery Methods Through FY 2012 (dollars in billions)					
Recovery Method	**Inception**	**Description**	**RSDI**	**SSI**	**TOTAL**
Treasury Offset Program (TOP)	1992	TOP is a debt collection program sponsored by the Department of the Treasury that allows us to collect delinquent debt by Tax Refund Offset, Administrative Offset, and Federal Salary Offset. We collected $176.6 million in FY 2012 through this program.	$1.303	$0.855	$2.158
Credit Bureau Reporting	1998	We report delinquent debts owed by former beneficiaries to credit bureaus. Credit bureau reporting contributed to the recovery of $68.7 million in FY 2012.	$0.414	$0.301	$0.715*
Cross Program Recovery	2002	Cross Program Recovery collects RSDI overpayments from monthly SSI payments and SSI underpayments, and SSI overpayments from monthly RSDI benefit payments and RSDI underpayments.	$0.148	$0.732	$0.880
Non-Entitled Debtors (NED)	2005	NED is an automated system used to control recovery activity for debts owed by debtors who are not entitled to benefits, such as representative payees who receive overpayments after the death of a beneficiary. We used the NED system to recover $3.5 million in FY 2012.	$0.026	N/A	$0.026**
Administrative Wage Garnishment (AWG)	2005	AWG allows us to recover delinquent RSDI and SSI overpayments by ordering a debtor's employer to garnish up to 15.00 percent of the debtor's private sector disposable pay. We collected $20.3 million through this process during FY 2012.	$0.093	$0.020	$0.113
Automatic Netting SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $119.0 million in FY 2012.	N/A	$1.113	$1.113
Total			$1.544	$2.720	$4.264

Notes:

*Credit bureau reporting is a subset of TOP collections.

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

To further improve our debt collection program, we implemented Phase II of the External Collection Operation Enhancements project in FY 2012. Phase II of this project allows us as authorized by Public Law 110-246 (P.L. 110-246) to collect delinquent debts by offsetting Federal payments through TOP beyond the previous 10-year statute of limitations, Phase I, implemented in July 2010, enables us to collect delinquent SSI debts from a population of debtors previously excluded from the automated External Collection Operation selection process. As resources permit, we will develop additional debt collection tools such as offsetting State payments to recover our delinquent debts, charging administrative fees, and imposing interest or indexing a debt to reflect its current value.

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 above.

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. We began to receive these additional collections in the first quarter of FY 2013. Therefore, the baseline from which we will measure recovery of delinquent debt will be the collections from TOP for FY 2012.[14]

Prior to our referral of these additional debts to Treasury, we must update 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 are using a two-phased approached to achieve this target as discussed below.

<u>Phase I – Update Systems</u>: By September 30, 2012, we expected to complete 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.

<u>Phase II – Notify Debtors</u>: Following implementation of the systems enhancements, we plan to send a prorated number of notices each month. We expect to complete the required due process notification to all debtors by the end of 2014.

[14] Treasury regulations do not permit disclosure about the source of collections recovered by TOP. Therefore, any increase above the FY 2012 baseline may be attributable to removal of the 10-year statute of limitations.

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 2012*,[15] issued in December 2012, contains no recommendations. OIG suggested that we increase transparency by reporting any cases that may meet the high-dollar requirements when identified through our stewardship reviews.

[15] The OIG Quick Response Evaluation: http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-15-13-13068.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)*[16] 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*.[17]

> "*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.

[16] IPIA: http://www.whitehouse.gov/sites/default/files/omb/financial/_improper/PL_107-300.pdf
[17] 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*[18] allows beneficiaries, in prescribed circumstances, to request continuation of their benefits while they appeal an adverse action. If the appeal 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 Definition[19]: OMB Circular No. A-123, Appendix C, Part III, *Requirements for Implementing Executive Order 13520: Reducing Improper Payments,*[20] 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 Performance and Accountability Report (PAR).[21] The FY 2010 threshold is $750 million in improper payments as reported in our FY 2009 PAR. Annually, OMB may redefine the improper payments threshold; however, OMB did not alter the threshold amount in FY 2011 or FY 2012.

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

19 OMB changed "High-Priority Program" to "High-Error Program."

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

21 PAR: 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 2011)				
Payment Type	**Overpayment Error Rate (percent)**	**Underpayment Error Rate (percent)**	**Susceptible to Improper Payments**	**High-Error Program**
RSDI	0.32	0.13	✓	✓ *
SSI	7.34	1.83	✓	✓
Administrative/Limitation on Administrative Expenses	0.07**	0		

Notes:

* RSDI supplemental targets not required since error rates are less than 2.00 percent.

**The percentage only includes results from our review of payroll and benefit, vendor, and travel payments.

<u>High-Dollar Improper Payment Definition</u>: 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.