OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

Audit Report

The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2017 Agency Financial Report

A-15-18-50566 | May 2018

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 1, 2018 Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2017 Agency Financial Report (A-15-18-50566)

The attached final report presents the results of the Office of Audit's review. The objectives were to review the Payment Integrity section in the Fiscal Year 2017 Agency Financial Report and determine whether the Social Security Administration met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012*. In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.

Gale Stallworth Stone

Gale Stallworth Stone

Attachment

The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2017 Agency Financial Report A-15-18-50566

May 2018 **Office of Audit Report Summary**

Objectives

To review the Payment Integrity section in the Fiscal Year (FY) 2017 Agency Financial Report (AFR) and determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

Background

On January 10, 2013, the President signed IPERIA into law. IPERIA amended the *Improper Payments Information Act of 2002* (IPIA) and *Improper Payments Elimination and Recovery Act of 2010* (IPERA). Both were created to prevent the loss of taxpayer dollars. In October 2014, the Office of Management and Budget (OMB) issued Government-wide guidance on the implementation of IPIA, as amended by IPERA and IPERIA.

Findings

In its FY 2017 AFR, SSA did not comply with all IPIA reporting requirements. Although the Agency met five IPIA criteria, it did not meet the reduction target for Supplemental Security Income (SSI) overpayments. The Agency reported most improper payment information; however, we noted instances where the supporting documentation did not agree with statements made in the FY 2017 AFR or the Agency could not provide documentation.

While evaluating SSA's performance in reducing and recapturing improper payments, we analyzed the 5-year average and actual deficiency dollars reported for major causes where SSA had implemented corrective actions. We noted that, for financial accounts and wage reporting, actual SSI deficiency dollars did not significantly improve despite the implementation of Access to Financial Institutions (AFI) and SSI Telephone Wage Reporting/SSI Mobile Wage Reporting, respectively. SSA could not provide data that measured the success of these implemented corrective actions because of significant data challenges. While SSA had improved AFI since it was implemented in FY 2011, the Agency had not developed new corrective actions to address financial accounts.

SSA is several years from determining whether proposed corrective actions will help reduce improper payments in wage reporting deficiencies, as it has not fully implemented recent corrective actions. Our past reviews have recommended that SSA develop systems to capture data that measure the effectiveness of existing corrective actions. We have also recommended that SSA, in accordance with OMB guidance, annually review its existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments. These recommendations remain open, as SSA continues addressing them.

Recommendation

We recommend SSA develop new initiatives to address improper payments. SSA agreed with our recommendation.

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ABBREVIATIONS

AFI	Access to Financial Institutions
AFR	Agency Financial Report
DI	Disability Insurance
FY	Fiscal Year
IPERA	*Improper Payments Elimination and Recovery Act of 2010*
IPERIA	*Improper Payments Elimination and Recovery Improvement Act of 2012*
IPIA	*Improper Payments Information Act of 2002*
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
PAR	Performance and Accountability Report
Pub. L. No.	Public Law Number
SSA	Social Security Administration
SSI	Supplemental Security Income
SSIMWR	Supplemental Security Income Mobile Wage Reporting
SSITWR	Supplemental Security Income Telephone Wage Reporting
Stat.	United States Statutes at Large
U.S.C.	United States Code

OBJECTIVES

Our objectives were to review the Payment Integrity section in the Fiscal Year (FY) 2017 Agency Financial Report (AFR) and determine whether the Social Security Administration (SSA) met all requirements of the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA). In addition, we evaluated the Agency's (1) accuracy and completeness of reporting and (2) performance in reducing and recapturing improper payments.

BACKGROUND

On January 10, 2013, the President signed IPERIA[1] into law. IPERIA amended the *Improper Payments Information Act of 2002* (IPIA)[2] and the *Improper Payments Elimination and Recovery Act of 2010* (IPERA),[3] which were created to prevent the loss of taxpayer dollars. Although IPERIA amended the two previous Acts, the authorizing legislation is still IPIA (as such, we refer to IPIA throughout the report). In October 2014, the Office of Management and Budget (OMB) issued Government-wide guidance on implementing IPIA, as amended by IPERA and IPERIA.[4] We reviewed SSA's compliance according to this guidance.

Under IPIA, agencies shall identify and review all programs and activities they administer that may be susceptible to significant improper payments based on guidance provided by the Director of OMB.[5] Beginning with FY 2014 reporting, OMB guidance defines significant improper payments as $10 million of all program or activity payments made during the FY reported and 1.5 percent of program outlays or $100 million.[6] For each program and activity identified, the agency is required to use an OMB-approved estimate methodology to produce a statistically valid estimate of the improper payments and include those estimates in the materials that accompany the agency's annual financial statements.[7]

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[1] *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248, 126 Stat. 2390.

[2] *Improper Payments Information Act of 2002*, Pub. L. No. 107-300, 116 Stat. 2350 (2002).

[3] *Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204, 124 Stat. 2224 (2010).

[4] OMB, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, M-15-02* (October 20, 2014). Appendix C implements requirements from (1) IPIA, as amended; (2) IPERA; (3) IPERIA; and (4) Reducing Improper Payments, Executive Order No. 13,520, (2009).

[5] OMB, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, M-15-02*, part I, section (A)(9), p. 9 (October 20, 2014).

[6] See Footnote 5, part I, section (A)(9), step 1 (a), p. 9.

[7] See Footnote 5, part I, section (A)(9), step 2, p. 11.

The agency is required to prepare a report on actions it has taken or plans to take to recover improper payments and intends to take to prevent future improper payments for programs or activities with estimated improper payments.[8] OMB Circular A-136[9] outlines the information agencies are required to include in their annual AFRs or Performance and Accountability Reports (PAR) regarding improper payment estimates, reduction targets, root causes, and corrective actions.[10] Among other things, the report must describe the

- estimated amount of improper payments and root causes of over- and underpayments,[11]
- corrective action plans for reducing the estimated improper payment rate and amount for each type of root cause identified,[12] and
- statistical sampling process conducted to estimate the improper payment rate for each program.[13]

In addition, the agency is required to report all actions it has taken to recover improper payments identified in recovery audits[14] required by IPIA,[15] including

- the methods used to recover overpayments;
- a justification for determining overpayments are not collectable;
- a discussion of any conditions that give rise to improper payments and how those conditions are being resolved;
- the amounts recovered, outstanding, and determined uncollectable;
- a summary of the disposal of recovered amounts; and
- an aging schedule of the outstanding amounts.[16]

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[8] *Improper Payments Elimination and Recovery Improvement Act of 2012*, Pub. L. No. 112-248 § 3(a)(2), 126 Stat. 2390, p. 2391 (codified at 31 U.S.C. § 3321 note).

[9] OMB, *Financial Reporting Requirements*, *Circular A-136 Revised*, (August 15, 2017).

[10] OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control*, *Circular A-123*, *M-16-17*, Appendix C, Part I, section (A)(9), Step 4 (b), p. 16 (2014).

[11] See Footnote 9, section II.5.5 I(a-d), p. 108.

[12] See Footnote 9, section II 5.5 I(e), p. 109.

[13] See Footnote 9, section II.5.5 VII, p. 111.

[14] Payment recapture audit is another term used for recovery audit, see Footnote 9, section II 5.5 II(b), p. 109.

[15] IPIA generally requires that recovery audits be conducted, unless prohibited by law, for each program and activity of an agency that expends $1 million or more annually if conducting such audits would be cost-effective. *Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204 § 2(h)(2)(A), 124 Stat. 2224, pp. 2228-2229.

[16] See Footnote 9, section II.5.5 II, pp. 109-110.

The agency is also required to justify programs or activities it excluded from review, including programs or activities where the agency determined it would not be cost-effective to conduct recovery audits.[17]

Responsibilities of Agencies' Inspectors General

OMB guidance specifies that each agency's Inspector General should review improper payment reporting in its annual AFR or PAR and accompanying information to determine whether it complied with IPIA.[18]

According to OMB guidance, compliance with IPIA means the agency has

- published an AFR or PAR for the most recent FY and posted that report and any OMB-required accompanying materials to the agency's Website;
- conducted a program-specific risk assessment for each program or activity that conforms with section 3321 note of Title 31 U.S.C. (if required);
- published improper payment estimates for all programs and activities identified as susceptible to significant improper payments under its risk assessment (if required);
- published programmatic corrective action plans in the AFR or PAR (if required);
- published, and met,[19] annual reduction targets for each program assessed to be at risk and estimated for improper payments (if required and applicable); and
- reported a gross improper payment rate of less than 10 percent for each program and activity for which an improper payment estimate was obtained and published in the AFR or PAR.[20]

If an agency does not meet one or more of these requirements, it is not compliant with IPIA.[21] The agency's Inspector General may also evaluate the accuracy and completeness of agency reporting and performance in reducing and recapturing improper payments.[22] See Appendix A for our scope and methodology.

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[17] OMB, *Financial Reporting Requirements, Circular A-136 Revised*, section II.5.5(c), p. 109 (August 15, 2017).

[18] OMB, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, M-15-02*, part II, section (A)(3), p.39 (October 20, 2014).

[19] A program has met a reduction target if the improper payment rate for that program in the current year falls within plus or minus 0.1 percentage points of the reduction target set in the previous year's AFR or PAR.

[20] OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control, Circular A-123, M-16-17*, Appendix C, Part II, section (A)(3) p. 39 (2014). As previously noted, IPERIA amended IPIA and IPERA.

[21] See Footnote 20.

[22] See Footnote 20, section (A)(4), p. 40.

RESULTS OF REVIEW

In its FY 2017 AFR, SSA did not fully comply with IPIA reporting requirements. Although the Agency met five IPIA criteria, it did not meet the reduction targets for Supplemental Security Income (SSI) overpayments, as shown in Table 1.

Table 1: SSA IPIA Compliance Reporting

Program	Published an AFR	Conducted Risk Assessment	Published Improper Payment Estimate	Published Corrective Action Plan	Published and is Meeting Reduction Targets	Reported Improper Payment Rate of Less than 10 Percent
Old-Age, Survivors and Disability Insurance	Compliant	Compliant	Compliant	Compliant	Compliant	Compliant
SSI	Compliant	Compliant	Compliant	Compliant	Non-Compliant	Compliant

Additionally, although SSA accurately reported most improper payment information, it did not provide all supporting documentation. We noted that, despite the implementation of corrective actions related to SSI overpayments caused by undisclosed financial accounts, the deficiency dollars related to this area had not improved. SSA had relied on the same corrective actions for several years although there had been no progress in this area; therefore, SSA should enhance the corrective action or identify additional initiatives to reduce SSI improper payments related to financial accounts. SSA is also several years away from determining whether corrective actions related to SSI overpayments caused by undisclosed wages will be effective, as implementation of major corrective actions remain in progress. SSA also did not have measurement tools in place to ensure a positive return on corrective action investments.

Compliance with IPIA

SSA uses stewardship review data, which are a statistically valid sample of Old-Age, Survivors and Disability Insurance (OASDI) and SSI cases, to determine payment accuracy rates and provide the data necessary to meet IPIA reporting requirements. Data reported in the FY 2017 AFR were for cases sampled in FY 2016.[23] In FY 2017, SSA did not meet its reduction target for SSI overpayments, as required by IPIA.[24] Although SSA complied with the remaining five criteria, OMB guidance requires that the Agency meet all requirements to be compliant with IPIA.[25] As such, we concluded that SSA had not fully complied with IPIA. In Appendix B, we summarize the OMB guidance and reporting requirement with which SSA did not comply, our observations, and the Agency's response.

Accuracy and Completeness of IPIA Reporting

SSA provided documentation to support most of the figures in its FY 2017 AFR.[26] However, we noted instances where the supporting documentation did not agree with statements in the FY 2017 AFR or the Agency could not provide documentation. For example, SSA could not provide documentation to support $4.8 million in improper payment savings because of an increase in prisoner suspensions.[27] In addition, the amount SSA reported for external collection techniques from 1992 through 2017 was incorrect based on SSA's supporting documentation. The AFR reported $7.071 billion in external collections; however, supporting documentation indicated this amount should have been $2.298 billion.[28] Also, the AFR reported $2 million in lifetime savings for the Federal share of Medicaid payments through the prevention of incorrect allowances and continuances of FY 2015 pre-effectuation reviews. However, supporting documentation indicated this amount should have been a $2 million cost—not a savings in the current Payment Integrity report. Each year, as the Agency develops this report, it should review and retain all supporting documentation to ensure amounts are accurate and assist with future reviews.

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[23] SSA will not have FY 2017 data until summer 2018.

[24] SSA, *Agency Financial Report Fiscal Year 2017: Payment Integrity*, p. 172 (2017).

[25] OMB, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments, M-15-02*, part II, section (A)(3), p. 39 (October 20, 2014).

[26] See Footnote 25, section (A)(4), p. 40.

[27] SSA, *Agency Financial Report Fiscal Year 2017: Payment Integrity*, p. 194 (2017).

[28] See Footnote 27, p. 203. While the statement in the AFR is incorrect, it is not material to the overall presentation of improper payment information. The accuracy of an agency's reporting does not affect its compliance with improper payment reporting requirements. The $7.071 billion reported in the AFR incorrectly included internal collections. See also Footnote 20.

Performance in Reducing and Recapturing Improper Payments

Despite corrective actions the Agency implemented, the leading causes of improper payments have not seen significant improvement. In addition, the Agency could not provide us data that measured the success of these corrective actions because of significant data challenges. When we evaluated SSA's performance in reducing and recapturing improper payments, we reviewed our prior reports and corresponding recommendations. We also reviewed the change in deficiency dollars[29] the Agency reported in the Payment Integrity section of the AFR in relation to implemented corrective actions.

SSA identified the major causes of OASDI and SSI improper payments in its IPIA reporting. For each major cause, the Agency developed corrective action plans. While SSA had implemented several programs to reduce improper SSI and OASDI payments, it did not have metrics to determine the success of these initiatives. In our FY 2016 review, we recommended SSA develop systems to capture data that measure the effectiveness of existing corrective actions. SSA provided the following update to this recommendation.

> We have significant data challenges when we try to measure the impact of our key initiatives on reducing improper payments. Our legacy systems do not currently capture the discrete data that we need to determine the impact of specific initiatives or potential efforts to reduce improper payments. We plan to define the kinds of data that we need to better track our key improper payment initiatives and begin to collect this data as we develop new systems. At this time, we cannot provide a timeline for implementing more robust metrics to measure the effectiveness of our corrective action plans. It is too soon to know a timeline, and there are a number of dependencies, including our ability to identify, access, and analyze key datasets.

As such, we believe SSA should continue efforts to develop measures, where feasible, that will determine the success of improper payment initiatives so the Agency can focus resources on corrective actions that will help meet the OMB-approved reduction targets.

We also recommended SSA annually review its existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments. During this review, SSA provided information on its progress in implementing this recommendation.

> We conduct an annual review when we submit our Agency Financial Report, specifically the Improper Payments Information Detailed Report. In accordance with OMB guidance, we annually review our existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments.

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[29] See Footnote 27, p. 208. Some stewardship cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency.

> We continually evaluate and explore ways to enhance our corrective actions to prevent or detect improper payments. We review our annual stewardship reports for the Old-Age and Survivors Insurance payments, Disability Insurance payments, and [SSI] payments to ensure that we are focusing our efforts on the root causes of improper payments in our programs. Our stewardship process is a statistically valid sample of cases that we review each year to determine where we have deficiencies. Stewardship is a proven, cost-effective means for evaluating payment accuracy and identifying the leading causes of improper payments in our programs. Each year, we carefully review the data and ensure we focus on the most critical areas for improvement. As we develop systems involving program integrity enhancements, we strive to capture discreet data from which we can develop more robust metrics to measure the effectiveness of our corrective actions. Balancing our information technology investments across our responsibilities to improve service and our stewardship workloads to prevent improper payments remains a top priority.

As stated above, the Agency annually reviews existing corrective actions to determine whether any action can be intensified or expanded. Based on our analysis of improper overpayments caused by financial accounts, wages, and computations, the corrective actions do not appear to be effective in reducing the deficiency or the effect is unknown.[30] We maintain, as in prior years, that SSA needs to intensify or expand existing corrective actions to reduce and recapture improper payments.

SSI Overpayments Caused by Financial Accounts

As reported in prior years, the leading causes of overpayments in the SSI program were financial accounts and wages. SSA implemented the Access to Financial Institutions (AFI) program nationwide in June 2011. AFI is an automated process that verifies alleged bank account balances with financial institutions during the SSI application process and periodic redeterminations of continued eligibility. While SSA had made enhancements to AFI since its initial implementation, it remained the only corrective action the Agency reported that was focused on reducing improper payments related to financial accounts. According to the AFR, based on a first quarter FY 2016 evaluation, the Agency recommended it would not be the most efficient use of limited program integrity resources to conduct additional AFI searches between SSI redeterminations.[31] As shown in Figure 1, SSA's overpayment deficiency dollars related to financial accounts decreased from a high of nearly $1.4 billion in FY 2008; however, the deficiency dollars remained above $1 billion in FYs 2015 and 2016.

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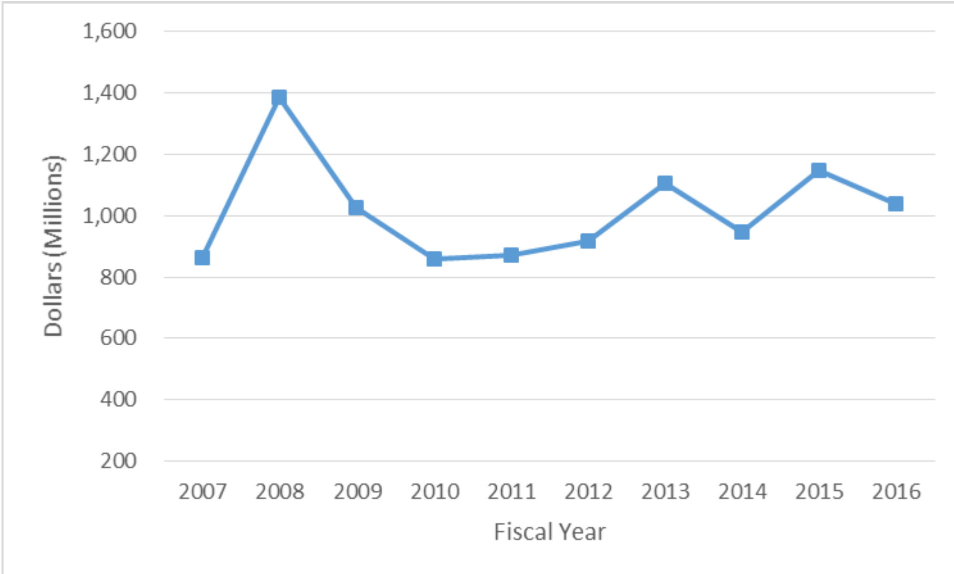
[30] SSA, *Agency Financial Report Fiscal Year 2017: Payment Integrity*, p. 208 (2017).

[31] See Footnote 30, p. 185.

Figure 1: Financial Account Overpayment Deficiency Dollars (FYs 2007 Through 2016)



SSA stated that changes in SSI overpayment error rates from FYs 2015 to 2016 were statistically significant. Financial accounts continue to be the leading cause of SSI overpayment errors.[32] The AFI program was in place for FYs 2012 through 2016; however, deficiency dollar amounts remained around $1 billion. Over this 5-year period, we believe a successful improper payment initiative would have reduced these financial account deficiencies. SSA should determine whether it is correctly targeting the root cause of these overpayment errors and implement additional initiatives to target those causes.

SSI Overpayments Caused by Wages

Another major cause of improper SSI payments was wage reporting. According to the AFR, for longer than a decade, wage discrepancies had been one of the leading causes of over- and underpayments.[33] Wage discrepancies occur when the recipient's actual wages differ from the wage amount used to calculate the SSI payment. In FY 2008, the Agency implemented the SSI Telephone Wage Reporting (SSITWR) System to allow recipients, representative payees, and deemors[34] to report prior monthly gross wages via an automated telephone system. SSA rolled out SSI Mobile Wage Reporting (SSIMWR) nationally on August 1, 2013 to allow individuals to report wages through a smartphone application. Although the number of successful wage reports

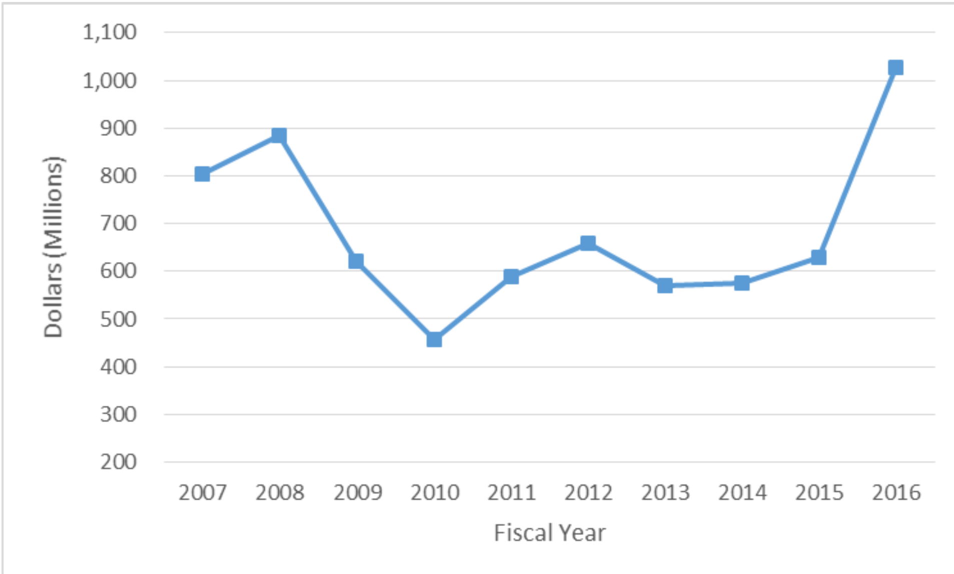
[32] SSA, *Agency Financial Report Fiscal Year 2017: Payment Integrity*, p. 183 (2017).

[33] See Footnote 32, pp. 185 and 186.

[34] A deemor is generally the ineligible parent or spouse of the individual who is eligible for (or receiving) SSI. See ssa.gov/disabilityssi/df-deemor.html.

SSI recipients submitted using these Systems increased, the error dollars related to wages increased from $575 million in FY 2014 to $1,026 million in FY 2016, as shown in Figure 2.

Figure 2: Wages Overpayment Deficiency Dollars (FYs 2007 Through 2016)



In response to section 826 of the *Bipartisan Budget Act of 2015*,[35] in September 2017, SSA implemented a new online wage reporting application where Disability Insurance (DI) beneficiaries can report wages online through their *my* Social Security account. A release scheduled for June 2018 will allow SSI and DI/SSI recipients and their representative payees to report wages online. It may take several years to determine the effectiveness of this initiative since SSA reports its improper payment information 1 FY behind the AFR.[36]

In accordance with section 824 of the *Bipartisan Budget Act of 2015*,[37] SSA has the authority to enter into information exchanges with payroll data providers to improve program administration and prevent improper payments of monthly DI and SSI benefits. According to the FY 2016 AFR, SSA targeted its completion for final implementation of section 824 as November 2017.[38] Implementation of section 824 is contingent on SSA awarding a contract. SSA is evaluating and exploring ways to implement these exchanges.

[35] *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74 § 826, 129 Stat. 584, p. 611 (2015).

[36] SSA will not have FY 2017 data until summer 2018. If SSA implements wage reporting as scheduled in June 2018, the first year of full implementation would be FY 2019. Since SSA reports its improper payment information in the AFR 1 FY behind, FY 2020 would be the first year SSA could determine the effectiveness of this corrective action.

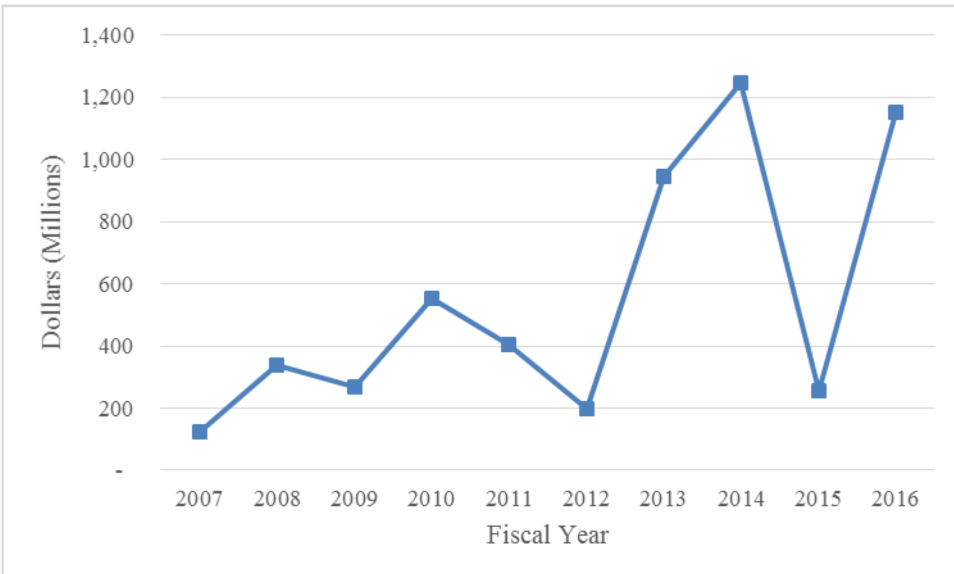
[37] *Bipartisan Budget Act of 2015*, Pub. L. No. 114-74 § 824, 129 Stat. 584, p. 607 (2015).

[38] SSA, *Agency Financial Report Fiscal Year 2016: Improper Payments Information Detailed Report*, p. 194 (2016).

OASDI Overpayments Caused by Computations

In the FY 2017 AFR, SSA reported that one of the leading causes of OASDI overpayments was computations.[39] Overpayment deficiency dollars related to computations have fluctuated greatly over the past 3 years. As show in Figure 3, in FY 2014, SSA reported $1,247 million in overpayments, which decreased to $255 million in FY 2015 and increased to $1,150 million in FY 2016.

Figure 3: Computations Overpayment Deficiency Dollars (FYs 2007 Through 2016)



In FY 2016, 66 percent of computation overpayment errors[40] were related to Windfall Elimination Provisions.[41] In FY 2018, SSA plans to continue updating problematic OASDI system alerts, exceptions, and processing limitation codes with better descriptive definitions. According to SSA, these actions should improve post-entitlement processing accuracy. In FY 2016, SSA also conducted a study that reviewed the most problematic causes of overpayment error cases. This study focused on overpayments due to disability cessations or extended periods of eligibility and made recommendations to improve these processes. The results of this study are being finalized. SSA should continue identifying initiatives that would reduce OASDI

[39] SSA, *Agency Financial Report Fiscal Year 2017: Payment Integrity*, p. 178 (2017).

[40] SSA, *Fiscal Year 2016 Title II Payment Accuracy Report*, p. 7 (2017).

[41] The Windfall Elimination Provision can affect how SSA calculates retirement or disability benefits. If a beneficiary worked for an employer that did not withhold Social Security taxes from his/her salary, such as a government agency or an employer in another country, any retirement or disability pension from that work can reduce his/her Social Security benefits. Refer to SSA, *Windfall Elimination Provision*, Publication No. 05-10045 (2018).

improper payments caused by computation errors and determine whether the initiatives in place reduce improper payments.

Risk and Oversight Assessed by the Office of the Inspector General

To evaluate the Agency's assessment of the level of risk and quality of the improper payment estimates and methodology, we relied on the audit work conducted by KPMG, LLP as part of its audit opinion of SSA's FY 2017 financial statements. KPMG analyzed the statistical sampling methods and extrapolation procedures SSA employed to generate payment accuracy estimates, as reported in SSA's annual stewardship reviews. SSA uses the results of the stewardship reviews, in part, to annually populate the *Payment Integrity* report in the AFR. Each month, SSA reviews a statistically valid sample of cases to determine payment accuracy. KPMG concluded the statistical sampling methods and error extrapolation procedures SSA used to calculate OASDI and SSI improper payment rates were reasonable.

We continue overseeing the SSI and OASDI programs through various audits and evaluations. From October 2016 through September 2017, we issued 75 reports that identified over $3.3 billion in questioned costs and over $1.2 billion in Federal funds that could be put to better use. A number of these reports focused on the SSA management challenge to reduce improper payments.[42] See Appendix C for our reports on reducing improper payments and increasing overpayment recoveries, issued during FY 2017.

CONCLUSIONS

In its FY 2017 AFR, SSA did not comply with all IPIA reporting requirements. Although the Agency met five IPIA criteria, it did not meet the reduction target for SSI overpayments. The Agency reported most improper payment information; however, we noted instances where the supporting documentation did not agree with statements made in the FY 2017 AFR or the Agency could not provide documentation.

While evaluating SSA's performance in reducing and recapturing improper payments, we analyzed the 5-year average and actual deficiency dollars reported for major causes where SSA had implemented corrective actions. We noted that, for financial accounts and wage reporting, actual SSI deficiency dollars did not significantly improve despite the implementation of AFI and SSITWR/SSIMWR, respectively. SSA could not provide data that measured the success of these implemented corrective actions because of significant data challenges. While SSA had improved AFI since it was implemented in FY 2011, the Agency had not developed new corrective actions to address financial accounts.

SSA is several years from determining whether proposed corrective actions will help reduce improper payments in wage reporting deficiencies, as it has not fully implemented recent

[42] Our review of *The Social Security Administration's Use of Hurricane Sandy Relief Funds, A-15-14-14040,* (2015) determined whether SSA appropriately used Hurricane Sandy Relief Funds under *The Disaster Relief Appropriations Act, 2013, Pub. L. No. 113-2, 127 Stat. 4 (2013).*

corrective actions. Our past reviews have recommended that SSA develop systems to capture data that measure the effectiveness of existing corrective actions. We have also recommended that SSA, in accordance with OMB guidance, annually review its existing corrective actions to determine whether any action can be intensified or expanded, resulting in a high-impact, high return on investment in terms of reduced or prevented improper payments. These recommendations remain open, as SSA continues addressing them.

RECOMMENDATION

Based on our review, we recommend SSA develop new initiatives to address improper payments.

AGENCY COMMENTS

SSA agreed with our recommendation and provided technical comments, which we incorporated into the report, as appropriate. SSA's comments are in Appendix D.

Rona Lawson

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objectives, we:

- Reviewed the *Payment Integrity* report in the Social Security Administration's (SSA) Fiscal Year (FY) 2017 Agency Financial Report (AFR) to ensure compliance with all requirements of the *Improper Payments Information Act of 2002*, as amended by the *Improper Payments Elimination and Recovery Act of 2010 (IPERA)* and the *Improper Payments Elimination and Recovery Improvement Act of 2012*.

- Reviewed applicable Federal laws and regulations, Office of Management and Budget guidance, and SSA's Program Operations Manual System.

- Requested source data from the Office of Budget, Finance, and Management to support the figures in the AFR.

- Analyzed the source data to assess their accuracy and completeness.

We determined the computerized data used during our audit were sufficiently reliable given our objectives, and the intended use of the data should not lead to incorrect or unintentional conclusions.

We conducted our audit from November 2017 through February 2018 in Baltimore, Maryland. The primary entity audited was the Office of Budget, Finance, and Management. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

SSA did not report any payments made under *The Disaster Relief Appropriations Act, 2013*[1] in FY 2017. Therefore, we did not review the six requirements from Section 3 of IPERIA as they related to *Disaster Relief Appropriations Act* funds.

[1] *Disaster Relief Appropriation Act, 2013*, Pub. L. No. 113-2, 127 Stat. 4 (2013).

Appendix B – OFFICE OF MANAGEMENT AND BUDGET GUIDANCE

Office of Management and Budget Guidance	Office of the Inspector General Observation	Agency Response
An agency has published, and is meeting, annual reduction targets for each program assessed to be at risk and estimated for improper payments. A program will have met a reduction target if the improper payment rate for that program in the current year falls within +/- 0.1 percentage points of the reduction target set in the previous year's Agency Financial Report or Performance and Accountability Report.[1]	In the Agency's Fiscal Year 2016 Agency Financial Report, the target rate for Supplemental Security Income overpayments was 5 percent. In the Fiscal Year 2017 Agency Financial Report, the estimated Supplemental Security Income overpayment rate was 7.62 percent, which did not meet guidance requirements.	For Fiscal Year 2016, each tenth of a percentage point in payment accuracy represents $56.7 million in Supplemental Security Income program outlays. Given limited resources, we try to balance program integrity work with other agency priorities.

[1] OMB, *Management's Responsibility for Enterprise Risk Management and Internal Control, Circular A-123, M-16-17*, Appendix C, Part II, section (A)(3)(e) (2014).

Appendix C – Fiscal Year 2017 Office of the Inspector General Reports

The following Office of the Inspector General reports related to reducing improper payments and increasing overpayment recoveries.

- *Supplemental Security Income Payments to Confined Juveniles*, A-08-17-50237 (September 2017).
- *Match of Massachusetts Death Information Against Social Security Records*, A-01-17-50244 (September 2017).
- *The Social Security Administration's Manual Award Process for Initial Retirement and Survivors Insurance Claims*, A-08-16-50053 (September 2017).
- *Payments to Individuals Listed as Deceased in Department of Veterans Affairs' Records*, A-06-16-50029 (August 2017).
- *Widow(er)s Eligible for an Earlier Initial Month of Entitlement*, A-09-17-50187 (August 2017).
- *Cross-referred Social Security Numbers*, A-06-13-23091 (July 2017).
- *State Use of Electronic Death Registration Reporting*, A-09-15-50023 (July 2017).
- *Manually Reduced Cross-program Recovery Overpayments*, A-06-17-50225 (July 2017).
- *Controls over Death Underpayments Paid to Non-Beneficiaries*, A-09-16-50114 (June 2017).
- *Supplemental Security Income Recipients Who Have Life Insurance Policies with Cash Surrender Values*, A-02-16-21186 (June 2017).
- *Vocational Rehabilitation Services Reimbursements for Supplemental Security Income and Disability Insurance Beneficiaries*, A-15-14-14095 (June 2017).
- *Individuals Who Had Federal Earnings and Old-Age, Survivors and Disability Insurance Overpayments*, A-04-16-50136 (June 2017).
- *Overpayments Collected Through Long-term Repayment Plans*, A-07-16-50082 (May 2017).
- *Cross-Program Recovery to Collect Overpayments*, A-13-15-15029 (April 2017).
- *Match of California Death Information Against Social Security Administration Records*, A-06-14-24138 (April 2017).
- *Accuracy of Critical Payment System Payments*, A-02-17-34020 (April 2017).
- *Beneficiaries whose Payments Have Been Suspended for No Child in Care and Who Are Serving as Representative Payees for Children*, A-09-17-50200 (February 2017).
- *Bank Balances and Account Information for Supplemental Security Income Recipients*, A-01-15-35040 (January 2017).
- *Individuals Who Have Multiple Overpayments Caused by Failure to Report Earnings*, A-07-16-50081 (January 2017).

Appendix D– AGENCY COMMENTS

SOCIAL SECURITY

MEMORANDUM

Date: April 20, 2018 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

From: Stephanie Hall /s/
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, “The Social Security Administration’s Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2017 Agency Financial Report” (A-15-18-50566)-- INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, "THE SOCIAL SECURITY ADMINISTRATION'S COMPLIANCE WITH THE IMPROPER PAYMENTS ELIMINATION AND RECOVERY IMPROVEMENT ACT OF 2012 IN THE FISCAL YEAR 2017 AGENCY FINANCIAL REPORT" (A-15-18-50566)

GENERAL COMMENTS

As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. Over the years, we have implemented a number of program integrity initiatives, and we have made progress to address existing root causes of improper payments. Moving forward, we will continue our efforts to increase the accuracy of payments. We provided technical comments at the staff level.

Recommendation 1

Develop new initiatives to address improper payments.

Response

We agree.

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