OIG

Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Individuals Who Had Federal Earnings and Old-Age, Survivors and Disability Insurance Overpayments

A-04-16-50136 | June 2017

Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: June 9, 2017

Refer To:

To: The Commissioner

From: Acting Inspector General

Subject: Individuals Who Had Federal Earnings and Old-Age, Survivors and Disability Insurance Overpayments (A-04-16-50136)

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration was collecting overpayments from individuals who had Federal earnings and an Old-Age, Survivors and Disability Insurance overpayment.

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

Attachment

Individuals Who Had Federal Earnings and Old-Age, Survivors and Disability Insurance Overpayments
A-04-16-50136

Objective

To determine whether the Social Security Administration (SSA) was collecting overpayments from individuals who had Federal earnings and an Old-Age, Survivors and Disability Insurance (OASDI) overpayment.

Background

Under the OASDI program, SSA pays monthly benefits to retired or disabled workers and their families as well as to survivors of deceased workers. SSA bases the monthly benefit amount (MBA) it pays an individual on specific eligibility and entitlement factors. An adverse change in one or more of these factors can reduce the MBA at the point the change occurred. If a change adversely affects an individual's entitlement to all or part of the MBA but is not reported or detected, SSA will pay the individual more than he/she is due.

When SSA adjusts the individual's record to reflect an adverse change, it posts an overpayment to the record, notifies the individual of the overpayment, and attempts full and immediate recovery. One collection method SSA may use to recover an overpayment is Federal Salary Offset. For this review, we identified overpaid individuals who also had Federal earnings.

Findings

While SSA generally collected OASDI overpayments from individuals who had Federal earnings, it did not recover all overpayments. Specifically, while not always timely, SSA was collecting or had waived overpayments for 6,965 (88.2 percent) of 7,901 individuals in our population. These individuals' overpayments totaled $68.1 million.

SSA did not collect $13.5 million in overpayments from 936 individuals (11.8 percent). Of these, we determined there were individuals whose overpayments SSA did not have adequate time to take such action as responding to a waiver request, resuming collection after denying a waiver, or establishing an installment agreement. Also, there were some individuals whose Federal, and sometimes additional, earnings were below poverty levels.

SSA needs to identify the outstanding issues that prevent it from recovering those overpayments it had not recovered during our audit period and start or resume collection where applicable. We recognize that SSA has periodic reviews that identify individuals who have outstanding overpayments and its competing workloads sometimes take precedence over its recovery efforts. Nevertheless, SSA has a responsibility to effectively manage its overpayment recovery efforts and should avoid allowing overpayments to remain uncollected for an extended period. Finally, while we defer to the Agency on whether it will pursue collection of overpayments from individuals whose earnings are below the poverty level, it should immediately respond to those individuals with waiver or explanation requests that had been pending longer than 6 months.

Recommendations

We recommend that SSA:

1. Pursue all available methods to recover the 740 overpayments and process the 73 outstanding waiver requests (62 individuals with earnings above and 11 below poverty level) identified in our review.
2. Resolve the overpayments and waiver requests SSA identifies in its periodic reviews of OASDI overpayments that have been outstanding over an extended period and determine whether an action is needed.

SSA agreed with our recommendations.

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ABBREVIATIONS

ECO	External Collection Operation
EIN	Employer Identification Number
FSO	Federal Salary Offset
MBA	Monthly Benefit Amount
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) was collecting overpayments from individuals who had Federal earnings and an Old-Age, Survivors and Disability Insurance (OASDI) overpayment.

BACKGROUND

SSA administers the OASDI program under Title II of the *Social Security Act*.[1] Under this program, SSA pays monthly benefits to retired or disabled workers and their families as well as to survivors of deceased workers. SSA computes the monthly benefit amount (MBA) it pays an individual based on specific eligibility and entitlement factors. An adverse change in one or more of these factors can reduce the MBA at the point the change occurred. If a change adversely affects an individual's entitlement to all or part of the MBA but is not reported or detected timely, SSA will pay the individual more than he/she is due.[2]

When SSA adjusts the individual's record to reflect an adverse change, it posts an overpayment to the record, notifies the individual of the overpayment,[3] and attempts full and immediate recovery of the overpayment. Individuals who disagree with the overpayment may formally request that SSA reconsider the overpayment, waive recovery of the overpayment,[4] or both. If the individual agrees with the overpayment, SSA initiates full and immediate recovery.[5] SSA accomplishes this by withholding all or part of an individual's monthly benefit payment until it recovers all of the overpayment. If the individual does not receive monthly benefits, SSA attempts recovery by sending collection bills, and after due process, refers the qualifying debt to Treasury's Offset Program, Credit Bureaus, or Administrative Wage Garnishment.

When SSA is unsuccessful in recovering an overpayment directly from the overpaid individual, it may use other means of collection. For example, if there is another individual entitled on the same record as the overpaid person, SSA may withhold their monthly benefit payment to recover the overpayment. SSA may also use one of various external overpayment collection tools to recover the overpayment. For example, if an individual is a Federal employee, SSA may use Federal Salary Offset (FSO), which allows the salary-paying agency to withhold an amount each pay period from the employee's pay to recover the overpayment.[6] To be eligible for FSO, an

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[1] *Social Security Act*, 42 U.S.C. § 401 (2015).

[2] An overpayment is the total amount an individual received for any period that exceeds the total amount that SSA should have paid for that period. SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.001 (July 20, 2010).

[3] Once SSA notifies an individual of the overpayment, the individual may request an explanation of the overpayment. SSA must stop its recovery efforts until it provides the individual an explanation. SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.017 (September 6, 2012).

[4] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.019 (March 17, 2015).

[5] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02210.150, sec. A (October 16, 2008).

[6] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.043, sec. A.2 (March 9, 2016).

individual must meet several qualifications.[7] For example, SSA must have established the individual's overpayment after age 18, and he/she must be primarily liable for the overpayment,[8] that is, the individual (or their representative payee, if any) must have received the overpayment. Appendix A provides information on all SSA overpayment recovery tools.

SCOPE AND METHODOLOGY

We identified 7,901 individuals who had Federal wages, Federal retirement earnings, or Medicare Qualified Government Earnings[9] in 2014[10] and an OASDI overpayment on their record as of October 31, 2015.[11] We reviewed SSA's Recovery of Overpayments, Accounting and Reporting (ROAR)[12] transaction activity from January 1, 2014 through October 31, 2015 to determine the last significant[13] transaction that would affect SSA's recovery efforts for our population. For any record for which SSA was not recovering the overpayment, we used November 1, 2015 through March 31, 2017 as our audit period to determine whether SSA recorded any transaction activity on the individuals' ROAR.

For records where SSA was not recovering the overpayment, we also compared the individuals' 2014 and 2015 total earnings (Federal and any other posted earnings) to the Federal poverty rate.[14] Additionally, we reviewed SSA's Debt Management, Online Retrieval, and Claims File

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[7] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.043, sec. A.3 (March 9, 2016).

[8] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.043, sec. A.3 (March 9, 2016). SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.030, sec. C (March 9, 2016).

[9] Medicare Qualified Government Earnings are wages of Federal, State, and local government employees who are in positions mandatorily covered for Medicare (hospital insurance). These employees are not covered for OASDI benefits. SSA, *POMS*, *RS-Retirement and Survivors Insurance*, ch. RS 014, subch. RS 01401.010, sec. A (January 16, 2009).

[10] We reviewed 2014 earnings because, when we began our review, the most recent tax year with complete earnings posted to SSA's Master Earnings File was 2014. However, during our review, 2015 earnings became available, and we reviewed those earnings for individuals in the population from whom SSA was not collecting an overpayment, and SSA had posted their 2015 earnings.

[11] Our population did not include individuals for whom SSA established an overpayment when the individual was a child on another's record, whose overpayments SSA did not have adequate time to pursue collection, whose overpayment balance was $284 or less with no active collection in our review, whose collection efforts SSA suspended, and who were not primarily liable for the overpayment with no active collection in our review. Also, there may be instances of individuals with Supplemental Security Income overpayments in our population; however, we did not include these overpayments in our review.

[12] SSA's ROAR controls the recovery and collection activity of OASDI overpayments. The ROAR contains the cause and amount of the overpayment, name of individual liable for the debt, actions against the overpayment record, and status of the overpayment.

[13] We did not consider transactions showing SSA sending a notice, transferring jurisdiction, or correcting another transaction to impact recovery efforts during our review.

[14] We compared the individuals' total earnings to the Federal poverty guidelines for a one-member household. In 2015, the Federal poverty guideline for the 48 contiguous States and District of Columbia was $11,770; and in 2014, it was $11,670.

Records Management Systems for 55[15] records to determine why SSA was not collecting the overpayment. We generally did not identify documentation that explained the reason for no collection and provided five overpayments to SSA for review. SSA determined there was not enough documentation to support the lack of collection or the overpayments were not eligible for collections via the External Collection Operation (ECO).[16] See Appendix B for the details of our methodology.

RESULTS OF REVIEW

While SSA generally collected OASDI overpayments from individuals who had Federal earnings, it did not recover all overpayments. Specifically, while not always timely, SSA was collecting or had waived overpayments for 6,965 (88.2 percent) of 7,901 individuals in our population. These individuals' overpayments totaled $68.1 million.

SSA did not collect $13.5 million in overpayments from 936 individuals (11.8 percent). Of these, we determined there were individuals whose overpayments SSA did not have adequate time to take such action as responding to a waiver request, resuming collection after denying a waiver, or establishing an installment agreement. Also, there were some individuals whose Federal, and sometimes additional, earnings were below poverty levels. Table 1 shows the status of the 7,901 overpayments we identified.

Table 1: Population of Overpayments

Status of Overpayment	Number of Beneficiaries	Percent of Total Beneficiaries	Overpayment Outstanding (in Millions)	Percent of Total Overpayments
Collection or Actively Processing Requests	6,965	88.2	$68.1	83.5
No Active Collection	936	11.8	13.5	16.5
Total	**7,901**	**100.0**	**$81.6**	**100.0**

Source: SSA's ROAR.

We concluded that SSA needed to identify the outstanding issues that prevent it from recovering those overpayments it had not recovered during our audit period and start or resume collection where applicable. We recognize that SSA has periodic reviews that identify individuals who have outstanding overpayments and its competing workloads sometimes take precedence over its recovery efforts. Nevertheless, SSA has a responsibility to effectively manage its overpayment

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[15] We first reviewed five overpayment records and provided them to SSA. We then randomly selected and reviewed an additional 50. All 55 records were from the population of overpayments SSA was not recovering as of October 31, 2015.

[16] SSA uses the ECO tool to recover overpayments via Credit Bureau Reporting, Administrative Wage Garnishment, Tax Refund Offset, Administrative Offset, Non-entitled debtors database, FSO, and State Tax Refund offset. If the overpayment does not meet the requirements of ECO, the overpayment is not eligible for collections using these programs.

recovery efforts and should avoid allowing overpayments to remain uncollected for an extended period. Finally, while we defer to the Agency on whether it will pursue collection of overpayments from individuals whose earnings are below the poverty level, it should immediately respond to those individuals with waiver or explanation requests that had been pending longer than 6 months.

Overpayments SSA Had Not Collected

From November 1, 2015 through March 31, 2017, SSA was not collecting overpayments from 936 (11.8 percent) of 7,901 individuals we reviewed. Their overpayments totaled $13.5 million (16.5 percent) of the $81.6 million overpayments in our population. As shown in Table 2, most of these individuals had total earnings (Federal and other) that were above poverty levels.

**Table 2: Overpayments with No Recovery in 14 Months
but SSA had Earnings on Its Records**

2014 and 2015 Earnings Level	Number of Individuals	Overpayments (in Millions)
Above Poverty Rate	835	$12.4
Below Poverty Rate	101	1.1
Totals	**936**	**$13.5**
Percent of Overpayments in Population	*11.8*	*16.5*

Source: SSA's Detailed Earnings Query and ROAR.

Overpayments with No Recovery and Earnings Above Poverty Level

We determined 835 (10.5 percent) of 7,901 individuals had Federal, and sometimes additional, earnings above the poverty level. These individuals' total earnings ranged from $12,246 to $254,126 in 2014 and $12,459 to $75,660 in 2015. Total overpayments for these individuals were $12.4 million (15.2 percent) of the $81.6 million overpayments in our population.

As shown in Table 3, SSA's ROAR did not reflect any transaction activity for 497 overpayments in the last 3 years. Additionally, SSA had not collected from 129 individuals since it (1) established the overpayment, (2) entered into an installment agreement, or (3) denied the waiver over 6 months earlier. Also, SSA should have been collecting from 64 individuals for whom it had terminated collection efforts and 50 individuals whose records had miscellaneous ROAR transactions. SSA had not provided a decision on 83 waiver requests,[17] and some requests had been pending longer than 6 months. Finally, SSA did not have adequate time to

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[17] SSA records indicated that these 83 individuals had requested waivers of their overpayments. Of the 83 individuals who had outstanding requests, 5 requested both a reconsideration and waiver at the same time. According to policy, SSA must make a formal determination or dismissal of the reconsideration request before it processes the waiver request. SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.021, sec. D (April 21, 2016).

start collections on 12 individuals. SSA had either denied the waiver or established an installment agreement for these individuals within the last 6 months.

Table 3: Overpayments Not Being Collected

No ROAR Collection Activity (Individuals Who Had Earnings Above Poverty Level)	Individuals Who Had Overpayments	Total Overpayments (in Millions)
No Collection Activity		
No Transaction Activity in 39 Months	497	$6.5
No Collection Activity in Longer than 6 Months	129	2.0
Terminated Collection Efforts	64	0.9
Miscellaneous	50	1.0
Subtotal	740	$10.4
No Decision on Requests		
More Than 6 Months as of March 31, 2017	62	$1.1
Less Than 6 Months as of March 31, 2017	21	0.7
Subtotal	83	$1.8
Not Adequate Time to Take Action		
SSA Denied Waiver or Established Installment Agreement After October 1, 2016	12	$0.2
Subtotal	12	$0.2
Total	**835**	**$12.4**
Percent of Overpayments in Population	*10.5*	*15.2*

Source: SSA's ROAR.

The following examples illustrate overpayments SSA was not collecting.

- SSA established a $2,805 overpayment in October 1994. In March 1995, the individual entered into an installment agreement with SSA and made monthly installment payments through July 1996, which reduced the overpayment to $1,680. Since July 1996, SSA systems showed no documented attempts of SSA mailing billing statements or call-in-notices to collect the outstanding overpayment from this individual. This debt has been delinquent for longer than 20 years.

- SSA established two overpayments totaling $73,020 in October 2009 and January 2013. In February 2015, the individual requested a waiver and reconsideration of the overpayments. As of March 31, 2017, SSA had not decided on this request. Because the request is pending, it placed the overpayment in a "due process" status in ROAR, which prevented ECO from selecting the overpayment for collection.

- SSA established a $22,070 overpayment in September 2012. Although the individual requested a reconsideration of the overpayment in December 2012, SSA denied the request in March 2013. Because SSA did not remove the "due process" status from ROAR once it denied the request, the overpayment was not eligible for collection via ECO.

Although SSA has many tools available to assist it in collecting overpayments, it missed opportunities to collect overpayments we identified. As shown in the above examples, SSA did not always process pending requests in a timely manner or correctly change the status in ROAR, which diminished its collection capabilities. While we recognize that pursuing recovery of, or making determinations for, overpayments is a challenging workload, SSA could improve its efforts to recover overpayments. Specifically, SSA should resolve the overpayments and requests identified in its periodic reviews that have been unprocessed for an extended period.

Overpayments with No Recovery but Earnings Below Poverty Level

SSA was not collecting from 101 (1.3 percent) of the 7,901 individuals whose overpayments totaled $1.1 million.[18] While their overpayments ranged from $290 to $94,254, we determined their 2014 and 2015 total earnings (Federal and other) were below the poverty level. For example, their 2014 earnings ranged from $16 to $10,696, and 2015 earnings ranged from $75 to $8,205. Much like the above poverty level examples previously mentioned, there are individuals with earnings below poverty whose request for waivers have been pending for as long as 15 years.

We recognize it may not be a good use of resources for SSA to pursue collection for these overpayments from individuals whose earnings are below poverty. As such, we defer to the Agency as to when it may attempt recovery of these overpayments. However, we identified 11 individuals who requested a waiver for overpayments totaling $197,000. These individuals have awaited SSA's action on their waivers for longer than 6 months. SSA should take immediate action to address these outstanding requests.

Overpayments SSA Was Collecting or Processing

SSA had been collecting or had waived 6,965 (88.2 percent) of 7,901 individuals' overpayments as of March 31, 2017. As shown in Table 4, the balance of these overpayments was $68.1 million.[19]

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[18] Of the 101 individuals whose earnings were below the poverty level, 4 individuals' overpayments had pending waiver requests or an installment agreement established less than 6 months as of the end of our audit period. This resulted in 97 individuals with overpayments totaling more than $1 million.

[19] The overpayment balance for these 7,901 individuals was as of October 31, 2015.

Table 4: Overpayments SSA Collected or Processed

SSA Action Taken	Individuals Who had Overpayments	Total Overpayments (in Millions)
Overpayment Remitted or Earnings Withheld	6,913	$67.2
Overpayment Waived	52	0.9
Total	**6,965**	**$68.1**
Percent of Overpayments in Population	*88.2*	*83.5*

Source: SSA's ROAR.

Although SSA was recovering overpayments or approving waivers, we identified some instances where it took an unreasonable length of time to begin recovery. Following are examples where SSA did not always begin collection of the overpayment timely.

- One individual had an overpayment that went uncollected for longer than 15 years. SSA established a $13,541 overpayment in July 1999. The individual requested an explanation of the overpayment in January 2001 and the overpayment remained in pending status until the individual became entitled to monthly retirement benefits in March 2016. At that time, SSA began withholding the overpayment from his monthly benefits thereby reducing the overpayment balance to zero.

- Another individual had an overpayment that went uncollected for longer than 3 years. SSA established a $25,125 overpayment in December 2011. In August 2012, the individual requested a waiver. In December 2012, SSA denied the waiver. Finally, in May 2016, the individual entered into an installment agreement, and SSA began collection.

While we recognize SSA's recovery efforts, SSA did not always recover the overpayments in a timely manner. To ensure SSA does not continue allowing overpayments to remain uncollected for an extended period, it should timely resolve the overpayments and waiver requests identified from its periodic OASDI overpayment reviews.

CONCLUSIONS

SSA was recovering or had waived overpayments from the 6,965 individuals who had Federal earnings. However, it did not always process the overpayment or begin recovery timely. Some records indicated SSA had an incorrect status in its systems, which prevented collection for some individuals through ECO. Additionally, SSA did not pursue recovery of $13.5 million in overpayments during our audit period. Most of the individuals with these overpayments had earnings in 2014 and 2015 that were above the poverty rate.

We believe SSA needs to make a determination on the outstanding issues of the overpayments we identified, including making a determination on pending waiver requests, so recovery efforts may resume. We recognize that SSA has periodic reviews that identify individuals with outstanding overpayments and its competing workloads sometimes take precedence over its recovery efforts. Nevertheless, SSA has a responsibility to effectively manage its overpayment

recovery efforts and should avoid overpayments going uncollected for an extended period. Finally, for those overpayments we identified and the individuals' total earnings were below poverty level, we defer to the Agency as to when it pursues collection.

RECOMMENDATIONS

We recommend that SSA:

1. Pursue all available methods to recover the 740 overpayments and process the 73 outstanding waiver requests (62 individuals with earnings above and 11 below poverty level) identified in our review.

2. Resolve the overpayments and waiver requests SSA identifies in its periodic reviews of OASDI overpayments that have been outstanding over an extended period and determine whether an action is needed.

AGENCY COMMENTS

SSA agreed with our recommendations. For the full text of the Agency comments, see Appendix C.

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – THE SOCIAL SECURITY ADMINISTRATION'S OVERPAYMENT RECOVERY TOOLS

The Social Security Administration (SSA) attempts to fully and immediately recover an Old-Age, Survivors and Disability Insurance overpayment.[1] If a full refund is not possible, SSA may recover an overpayment through other methods, as follows.

- If an overpaid individual is receiving Social Security benefits, SSA may withhold all or part of his/her monthly benefit to repay the overpayment.[2]

- If an overpaid individual receives a payment from another SSA-administered program, SSA may recover the overpayment by decreasing the amount payable from the other program through cross-program recovery.[3]

- If an overpaid individual is not due a benefit, SSA may be able to recover the overpayment by withholding all or part of the benefits payable to another individual on the same Social Security record as the overpaid person. This is referred to as contingent liability.[4]

- When benefit withholding is not possible and an overpaid person is unable to make a full refund in a single payment, he/she may enter into an installment agreement to refund the overpayment through monthly installment payments.[5]

- SSA may also settle a debt through a compromise settlement. A compromise occurs when an individual offers to repay a lesser amount than the total amount owed and is relieved of responsibility for the remainder of the debt.[6]

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[1] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02210.150, sec. A (October 16, 2008).

[2] See Footnote 1.

[3] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02210.008, sec. A (April 25, 2013). SSA, OIG, *Cross-Program Recovery of Benefit Overpayments*, *A-13-06-16031* (June 2007).

[4] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02205.005, sec. A (December 20, 2012). SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02210.015, sec. A.2 (February 13, 2012). SSA, OIG, *Collecting Title II Overpayments from Contingently Liable Beneficiaries*, *A-07-16-50089* (April 2016).

[5] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02210.180, sec. A (July 1, 2016). SSA, OIG, *Status of Title II Installment Agreements*, *A-02-08-18074* (September 2008). SSA, OIG, *Effectiveness of Title XVI Installment Agreements*, *A-02-09-29007* (February 2009).

[6] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02215.100, sec. A (December 13, 2005).

SSA must notify all individuals from whom it will seek recovery of the overpayment. All notifications must include the reason, amount, and months SSA overpaid the beneficiary. Along with the options to resolve the overpayment, the notice explains the right to request reconsideration of the overpayment determination and waiver of recovery.[7]

SSA's External Collection Operation System

If debts meet certain selection criteria, SSA uses its External Collection Operation (ECO) to refer delinquent debts to the following external collection methods.

- The Treasury Offset Program enables the Department of the Treasury to recover an individual's delinquent debt by offsetting any Federal or State payment due that individual.[8]

- Administrative Wage Garnishment is the process whereby SSA orders an employer to withhold amounts each pay period from an employee who owes a debt to the Agency, and the employer pays those amounts to SSA.[9]

- Federal Salary Offset is the process whereby the employing agency withholds amounts each pay period from a Federal employee who owes the Agency a debt.[10]

- Credit bureau reporting is the posting of a debt to an individual's credit record. SSA uses credit bureau reporting as a way of influencing a debtor to repay a debt.[11]

Among other selection criteria, for SSA to use these external collection tools, the debtor must be alive and not entitled to, or eligible for, benefits; payment on the debt is delinquent; and the debtor was at least age 18 when the debt was established.

In April 2014, SSA suspended its referral and collection of delinquent debts 10 years and older using the ECO process. As of January 2015, SSA had expanded its action to suspend recovery, through the ECO process, of all delinquent childhood beneficiary debts, regardless of the age of the debt. SSA has plans to draft legislation that would restrict the use of ECO in certain cases. However, SSA has not submitted this legislative request as of June 2017.

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[7] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.009, sec. A and B (April 15, 2011). SSA, OIG, *Overpayment Waiver Requests Processed by Field Offices in Fiscal Years 2012 and 2013*, *A-07-15-35031* (July 2015).

[8] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.029, sec. A.2 (March 9, 2016). SSA, OIG, *The Social Security Administration's Use of the Teasury Offset Program*, *A-04-14-14104* (July 2015).

[9] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.040, sec. A.2 (May 25, 2012). SSA, OIG, *Administrative Wage Garnishments*, *A-13-08-28009* (September 2008).

[10] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.043, sec. A.2 (March 9, 2016).

[11] SSA, *POMS*, *GN-General*, ch. GN 022, subch. GN 02201.032, sec. A.2 (March 9, 2016).

Appendix B – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations.

- Reviewed the Social Security Administration's (SSA) policies and procedures related to processing overpayments, including identification and recovery actions.

- Reviewed prior Office of the Inspector General reports.

To determine our audit population, we:

- Identified 4,495 Federal Employee Identification Numbers (EIN).[1]

- Identified 39.4 million Master Earnings File records using the 4,495 EINs.

- Identified individuals who had Federal earnings, including Federal wages, Federal retirement earnings, or Medicare Qualified Government Earnings.[2]

- Matched the individuals identified above to SSA's Master Beneficiary Record (MBR)[3] index file as of June 2015 to identify individuals with Federal earnings during Calendar Years 2011 through 2014[4] and a record on the MBR.

- Identified 33,512 records from the Recovery of Overpayments, Accounting and Reporting (ROAR)[5] system for individuals identified above.

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[1] The Internal Revenue Service assigns an EIN, which is a nine-digit number that uniquely identifies employers. All employers must have an EIN, including Federal agencies. SSA cannot process an annual wage report without a valid EIN.

[2] Medicare Qualified Government Earnings are wages of Federal, State, and local government employees who are in positions mandatorily covered for Medicare (hospital insurance). These employees are not covered for Old-Age, Survivors and Disability Insurance (OASDI) benefits. SSA, *POMS*, *RS-Retirement and Survivors Insurance*, ch. RS 014, subch. RS 01401.010, sec. A (January 16, 2009).

[3] SSA establishes an MBR for each OASDI claimant. The MBR maintains pertinent information needed to pay benefits to the claimant and all entitled auxiliaries.

[4] We reviewed 2014 earnings for the population because when we began our review, the most recent tax year with complete earnings posted to SSA's Master Earnings File was 2014. However, during our review, 2015 earnings became available and we reviewed those earnings for individuals in the population from whom SSA was not collecting or pursuing resolution of overpayments, and SSA had posted their 2015 earnings.

[5] SSA's ROAR system controls the recovery and collection activity of OASDI overpayments. The ROAR record contains the cause and amount of the overpayment, individuals liable for the debt, actions against the overpayment record, and the status of the overpayment.

- Summarized the 33,512 ROAR records by Claim Account Number and Beneficiary Identification Code and identified 29,384 unique individuals. These 29,384 individuals had Federal earnings during Calendar Years 2011 through 2014 and an outstanding OASDI overpayment as of October 31, 2015. From the 29,384 individuals, we identified 20,010 unique individuals with Federal earnings in Calendar Year 2014 and an OASDI[6] overpayment as of October 31, 2015.

To determine the ROAR transactions for each of the 20,010 individuals who had Federal earnings in Calendar Year 2014 and OASDI overpayments as of October 31, 2015, we identified the ROAR records and obtained 84,519 transaction records for these individuals from January 1, 2014 through October 31, 2015. From the data file of 84,519 ROAR transactions, we used the last significant transaction during our audit period and excluded 12,109 individuals for whom SSA established the overpayment when the individual was a child on another's record,[7] with overpayments that SSA did not have adequate time to pursue collection,[8] whose overpayment balance was $284 or less with no active collection in our review,[9] whose collection efforts SSA suspended, and who were not primarily liable for the overpayment with no active collection in our review. The resulting population was 7,901. We used data from all 20 segments[10] of the MBR and all 5 segments[11] of the ROAR to identify our population of individuals with Federal earnings and an OASDI overpayment. Our data file reflects the MBR and ROAR as of October 31, 2015.

For our population of individuals with Federal earnings and overpayments, we queried information from the following SSA records and systems to review the Agency's overpayment status and recovery methods.

- MBR
- MBR—ROAR
- Detailed Earnings Query

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[6] We recognize there may be instances of individuals with Supplemental Security Income overpayments in our population; however, we did not include these overpayments in our review.

[7] We excluded records if SSA established the overpayment when the individual was a child because these individuals' overpayments were not eligible for collection using the Federal Salary Offset collection method. Federal Salary Offset is an additional collection method that SSA may use to recover debts from individuals with Federal earnings.

[8] We excluded records from the population when we believed SSA did not have adequate time to pursue collection. We set 180 days as a reasonable amount of time for SSA to resume collections after posting an Installment Agreement, Waiver Denial, or Waiver Request to the ROAR. We also set 30 days as reasonable time for SSA to begin collections after establishing an overpayment on the ROAR.

[9] The average cost to collect a Disability Insurance overpayment was $284 in FY 2015. Therefore, we excluded all overpayments with a balance of $284 or less with no active collection from our review.

[10] The MBR is divided into 20 segments with each segment representing 5 percent of all OASDI benefit records.

[11] The ROAR is divided into five segments, with each segment based on the last two-digits of the Social Security number.

We relied on information housed in the aforementioned Social Security benefit records and systems. We did not determine the appropriateness of the overpayment decision or verify the accuracy of the overpayment amounts. However, we reviewed information and documentation from the Claims File Records Management, Online Retrieval, and Debt Management Systems for 55 cases. We did not determine whether there were opportunities for overpayment recovery that SSA did not pursue other than Federal Salary Offset.

We conducted our review between October 2015 and April 2017 in Atlanta, Georgia. The principle entities reviewed were SSA's Offices of the Deputy Commissioners for Retirement and Disability Policy and Operations. We determined the data used in this report were sufficiently reliable, given our review purpose and intended use of the data. 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

SOCIAL SECURITY

MEMORANDUM

Date: June 5, 2017   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, "Individuals Who Had Federal Earnings and Old-Age, Survivors and Disability Insurance Overpayments" (A-04-16-50136) --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 Gary S. Hatcher at (410) 965-0680.

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, "INDIVIDUALS WHO HAD FEDERAL EARNINGS AND OLD-AGE, SURVIVORS AND DISABILITY INSURANCE OVERPAYMENTS" (A-04-16-50136)

We take our responsibility to recover overpayments seriously, and have a strategy in place to improve and enhance our debt recovery efforts. As good stewards of taxpayer funds, and to preserve the public's trust in our programs, we remain focused on preventing improper payments. Since Fiscal Year (FY) 2004, we have recovered $37.63 billion in Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) overpayments. Most recently, in FY 2016, we took action to collect $3.29 billion OASDI and SSI overpayments. We have several processes in place to control records with outstanding overpayments and use various management information reports to monitor our pending overpayment workloads. Below are our responses to the recommendations. We also provided technical comments at the staff level.

Recommendation 1

Pursue all available methods to recover the 740 overpayments and process the 73 outstanding waiver requests (62 individuals with earnings above and 11 below poverty level) identified in our review.

Response

We agree.

Recommendation 2

Resolve the overpayments and waiver requests that SSA identifies in its periodic reviews of OASDI overpayments that have been outstanding over an extended period and determine whether an action is needed.

Response

We agree.

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