



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Overpayments Collected Through  
Long-term Repayment Plans

*A-07-16-50082 | May 2017*

**MEMORANDUM**

**Date:** May 3, 2017

**Refer To:**

**To:** The Commissioner

**From:** Acting Inspector General

**Subject:** Overpayments Collected Through Long-term Repayment Plans (A-07-16-50082)

The attached final report presents the results of the Office of Audit's review. The objective was to determine the outstanding overpayment balance that may remain uncollected because, at the agreed monthly repayment amount, the repayment period would exceed the individual's life expectancy.

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

# Overpayments Collected Through Long-term Repayment Plans

## A-07-16-50082



May 2017

Office of Audit Report Summary

### Objective

To determine the outstanding overpayment balance that may remain uncollected because, at the agreed monthly repayment amount, the repayment period would exceed the individual's life expectancy.

### Background

The Social Security Administration (SSA) attempts to pay the right person the right amount at the right time. However, given the size and complexity of the programs the Agency administers, payment errors do occur. An overpayment is the amount an individual has received that exceeds the amount the individual should have been paid.

When an individual is overpaid, the overpayment must be resolved by recovery, waiver, a determination that the overpayment either did not exist or was uncollectible, or any combination of these.

Our review focused on Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and Supplemental Security Income (SSI) recipients who had an outstanding balance greater than \$1,000 and had entered into a repayment agreement with SSA as of October 2014.

### Findings

SSA uses a variety of methods to recover overpayments, including repayment agreements that provide for monthly installment payments to SSA. The SSA employee processing the overpayment negotiates the agreement. SSA policy directs employees to establish a rate that would permit recovery of the entire overpayment within 36 months. If this is not possible, the SSA employee may approve a longer repayment period after it evaluates an individual's income, expenses, and assets.

Based on repayment agreements at the time of our review, we determined that 7,222 (11 percent) of the 64,978 individuals in our population will not repay their entire overpayment balance before they reach life expectancy. This situation exists because SSA entered into long-term repayment agreements with these individuals that resulted in an average repayment period of 55 years. We estimate to all 20 segments of the Recovery of Overpayments, Accounting and Reporting System and Supplemental Security Record that over \$971 million (44 percent) of the more than \$2.2 billion outstanding overpayment balance may never be collected.

From the 7,222 individuals, we identified all individuals who would not repay their entire overpayment before reaching their life expectancy. Additionally, we conducted analysis to identify the potential impact on overpayment recovery if SSA established a minimum repayment amount based solely on the individual's income. We could not consider the individual's assets and household expenses, as required under current overpayment recovery policy. Negotiating repayment plans based on the individual's income, the outstanding overpayment balance at life expectancy could be reduced by over \$623 million (64 percent)—from \$971 million to approximately \$348 million.

### Recommendation

We recommend that SSA evaluate its existing program debt repayment policy to reduce long-term repayment agreements. SSA agreed with our recommendation.

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## ABBREVIATIONS

BLS	Bureau of Labor Statistics
C.F.R.	Code of Federal Regulations
DI	Disability Insurance
GAO	Government Accountability Office
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
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
U.S.C.	United States Code

## OBJECTIVE

Our objective was to determine the outstanding overpayment balance that may remain uncollected because, at the agreed monthly repayment amount, the repayment period would exceed the individual's life expectancy.

## BACKGROUND

The Social Security Administration (SSA) manages two programs that provide benefits based on age, disability, or blindness: Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI). The OASDI program provides monthly benefits to insured retired or disabled workers and their families.<sup>1</sup> The SSI program makes monthly payments to aged, disabled, or blind adults and children who have limited income and resources.<sup>2</sup>

SSA attempts to pay the right person the right amount at the right time. However, given the size and complexity of the programs the Agency administers, payment errors occur. An overpayment is the amount an individual received in excess of the amount the individual should have received.<sup>3</sup> Overpayments are debts owed the Government.<sup>4</sup>

When an individual is overpaid, the overpayment must be resolved by recovery, waiver, a determination the overpayment either did not exist or was uncollectible, or any combination of these. To recover the overpayment balance, SSA requests refunds, withholds part or all of the individual's monthly payment, or creates an installment plan when the individual is no longer receiving OASDI benefits or SSI payments.<sup>5</sup> The SSA employee processing the overpayment negotiates the repayment agreement.<sup>6</sup> When establishing the repayment agreement, SSA's policy directs employees to establish a rate that would permit recovery of the entire overpayment within 36 months. However, if this is not possible, the SSA employee may approve a longer repayment period after he/she evaluates an individual's income, expenses, and assets.<sup>7</sup> See Appendix E for detailed repayment agreement determination criteria.

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<sup>1</sup> *Social Security Act* §201, et seq., 42 U.S.C. §401, et seq.

<sup>2</sup> *Social Security Act* §1601, et seq., 42 U.S.C. §1381, et seq.

<sup>3</sup> 20 C.F.R. §416.537, §404.501.

<sup>4</sup> SSA, POMS, GN 02201.001 A (July 20, 2010).

<sup>5</sup> SSA, POMS, GN 02210.010 (September 30, 2005), SI 02220.016 (July 13, 2011), SI 02220.017 (July 17, 2015), GN 02210.030 (October 20, 2016).

<sup>6</sup> If repayment agreements are not successful, SSA can use external collection operations, such as the Treasury Offset Program or Administrative Wage Garnishment, or report the overpayment balance to credit bureaus. SSA, POMS, GN 02201.030 (March 9, 2016), GN 02201.040 (May 25, 2012), GN 02201.032 (March 9, 2016), SI 02220.012 (March 9, 2016), and SI 02220.014 (March 9, 2016).

<sup>7</sup> 20 C.F.R. §404.502 and 20 C.F.R. §416.571. SSA, POMS, GN 02210.030 (October 20, 2016), SI 02220.017 (July 17, 2015) and GN 02250.120 (February 7, 1998).

To conduct our review, we obtained data from one segment of the Recovery of Overpayments, Accounting and Reporting (ROAR) System and one segment of the Supplemental Security Record (SSR).<sup>8</sup> We identified 64,978 individuals who had an outstanding overpayment balance greater than \$1,000 and had entered into a repayment agreement with SSA as of October 2014.

For this population, we conducted analysis to estimate the overpayment amount that would remain uncollected when individuals reached life expectancy if SSA continued collecting at the agreed rate. See Appendix A for our detailed scope and methodology.

## RESULTS OF REVIEW

We determined that 7,222 (11 percent) of the 64,978 individuals in our population will not repay their entire overpayment balance before they reach life expectancy if they repay according to their repayment agreements. This situation existed because SSA entered into long-term repayment agreements with these individuals, which resulted in an average repayment period of 55 years. Estimating to all 20 segments of the ROAR and SSR, we estimate 144,440 individuals will not repay their entire overpayment balances before they reach life expectancy. Therefore, we estimate that over \$971 million (44 percent) of the more than \$2.2 billion outstanding overpayment balance may never be collected.

From the 7,222 individuals, we identified all who would not repay their entire overpayment before they reach their life expectancy. Additionally, we conducted analysis to estimate the potential impact on overpayment recovery if SSA established a minimum repayment amount based solely on the individual's income. Negotiating repayment plans based solely on the individual's income, the outstanding overpayment balance at life expectancy could be reduced by over \$623 million (64 percent)—from \$971 million to approximately \$348 million.

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<sup>8</sup> The SSR controls the recovery and collection activities related to SSI overpayments. One segment of the SSR represents 5 percent of the total population of SSI recipients. The ROAR System controls the recovery and collection activities related to OASDI benefit overpayments. One segment of the ROAR represents 20 percent of the total population of OASDI beneficiaries. However, to ensure consistency with the review of the SSR segment, we selected the Social Security numbers that corresponded with one segment of the SSR. Therefore, for purposes of this review, one segment of the ROAR represents 5 percent of the total population of OASDI beneficiaries.

## Overpayment Recovery Exceeding Life Expectancy

We determined that 7,222 (11 percent) of the 64,978 individuals in our population would not repay their entire overpayment balance<sup>9</sup> before they reach life expectancy.<sup>10</sup> Examples follow.

- By paying the agreed-upon rate of \$20 per month, it would take one former OASDI beneficiary 684 years to repay his overpayment balance of more than \$164,000. This former OASDI beneficiary was a 47-year-old male who had an additional life expectancy of 35 years. His average wages were \$7,715 per month.
- By paying the agreed-upon rate of \$1 per month, it would take one SSI recipient 1,281 years to repay her overpayment balance of more than \$15,000. This recipient was a 74-year-old female who had additional life expectancy of more than 14 years. Based on the SSR, we determined this recipient received a total payment of \$748 per month.

Approximately \$49 million (44 percent) of the 7,222 individuals' \$110 million outstanding balance is at risk of not being collected before they reach life expectancy.<sup>11</sup> Estimating to all 20 segments of the ROAR and SSR,<sup>12</sup> we estimate over 144,000 individuals will not repay their entire overpayment balance before they reach life expectancy if SSA continues collecting at the agreed-upon rate. Therefore, over \$971 million (44 percent) of SSA's \$2.2 billion outstanding overpayment balance is at risk of not being collected (see Table 1).

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<sup>9</sup> We considered that all factors would remain consistent throughout the individual's lifetime. However, the outstanding overpayment balance at life expectancy could increase or decrease based on such factors as the individual incurring additional overpayments, paying larger or smaller monthly amounts, and living longer than or dying before life expectancy.

<sup>10</sup> We identified the number of months until each individual reaches life expectancy using the Cohort Life Expectancy tables based on intermediate assumptions of the *2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds* provided by SSA's Office of the Chief Actuary. The Cohort Life Expectancy uses death rates for the series of years in which the individual will actually reach each succeeding age if he/she survives. Therefore, the Cohort Life Expectancy provides an individual's expected average remaining lifetime at a selected age in a given year, using actual and expected future changes in death rates. Based on these assumptions, the remaining life expectancies for the individuals in our population ranged from 1.49 to 86.16 years.

<sup>11</sup> See Appendix B for details of our outstanding balance at life expectancy analysis.

<sup>12</sup> To estimate to all 20 segments of the ROAR and SSR, we multiplied the number of individuals—who had an outstanding overpayment balance greater than \$1,000 as of October 2014, entered into a repayment agreement with SSA, and would not repay their overpayment by life expectancy—and their outstanding overpayment balance as identified from 1 segment by 20.

**Table 1: Estimated Individuals Who Would Not Repay by Life Expectancy**

Program	Number of Individuals	Outstanding Balance as of October 2014	Balance Remaining at Life Expectancy	Percent Remaining at Life Expectancy
OASDI	82,340	\$1,556,266,619	\$668,641,323	43
SSI	62,100	\$661,252,446	\$302,571,025	46
<b>Total</b>	<b>144,440</b>	<b>\$2,217,519,065</b>	<b>\$971,212,348</b>	<b>44</b>

## Variance in Monthly Repayment Amount

There were variances in the agreed monthly repayment amount as a percentage of monthly income.<sup>13</sup> Specifically, we identified income for 6,451 of the 7,222 individuals.<sup>14</sup> Our analysis of this income found the agreed monthly repayment amount ranged from less than 1 percent to more than 100 percent of the individual's income in December 2015.<sup>15</sup> Further, 92 percent of these individuals agreed to repay their overpayment balance at an amount of 10 percent or less of their total income (see Table 2).

**Table 2: Agreed Monthly Repayment Amount as a Percentage of Income**

Percent of Income	Number of Individuals
Less than 1	1,027
1 to 5	3,791
6 to 10	1,146
11 to 25	316
26 to 50	71
51 to 75	16
76 to 100	35
Greater than 100	49
<b>Total</b>	<b>6,451</b>

<sup>13</sup> Our analysis was limited to the individual's monthly income and did not include analysis of expense, asset information, or other factors considered by SSA. See Appendix C for the detailed methodology. Data were not available related to expenses, assets, or other factors considered by SSA. However, our analysis of income represented all individuals regardless of the type of benefits they had, or were, receiving.

<sup>14</sup> We were unable to identify monthly income for 771 individuals, yet they agreed to a monthly repayment amount—ranging from \$1 to \$250. These individuals may have income from sources that we were unable to identify.

<sup>15</sup> See Appendix C for detailed income analysis.

For example, we identified two OASDI beneficiaries in our population who were paying \$40 per month toward their overpayment—the average repayment amount for an OASDI beneficiary. However, in December 2015, one beneficiary had \$384 in income, and the other had \$5,788 in income. Therefore, the first beneficiary was paying 10.4 percent of income, and the other paid less than 1 percent. This comparison does not include factors that SSA considers in its determination of the monthly repayment amount, such as expenses and assets. However, the wide variance in the income of these individuals highlights a potential concern with the approved repayment amount.

We also found similar inconsistencies with SSI recipients in our population. Specifically, we identified two SSI recipients who were paying \$30 per month toward their overpayment—the average repayment amount for an SSI recipient. However, in December 2015, one recipient had \$287 in income, and the other had \$1,569 in income. Therefore, the first recipient was paying 10.5 percent of income, whereas the other paid 1.9 percent, indicating a potential concern with the approved repayment amount.

## Potential Impact of a Standardized Repayment Amount

We analyzed the outstanding overpayment balance of the 7,222 individuals in our population to show how overpayment recovery would increase had SSA established a minimum repayment amount for specific income ranges. To do so, we used income ranges identified by the Bureau of Labor Statistics' (BLS) Consumer Expenditure Survey.<sup>16</sup> We used a standard repayment amount of 10 percent<sup>17</sup> of the median monthly income for each range.<sup>18</sup> Given the amount of information in the analysis, we present it in Appendix D. Based on our analysis, we estimate the outstanding overpayment balance for these 7,222 individuals could be reduced by over \$31 million. In fact,

- 4,895 individuals' balances could be eliminated,
- 1,170 individuals' balances could be reduced, and
- 1,157 individuals' balances would not change.

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<sup>16</sup> BLS, Consumer Expenditure Survey, Table 1202: *Income before taxes: Annual Expenditure means, shares, standard errors, and coefficients of variation, 2014*. See Appendix D for detailed methodology for our example standard repayment plan.

<sup>17</sup> SSA's policy is to evaluate an individual's income, expenses, assets, and other factors. SSA, POMS, GN 02210.030 (October 20, 2016). Our analysis was limited to the individual's monthly income and did not include analysis of expense or asset information.

<sup>18</sup> SSA indicated the Fiscal Year 2017 President's budget submission contained a legislative proposal to establish a minimum repayment amount of 10 percent of a beneficiary's monthly benefit for OASDI overpayments. The SSI program already uses a 10-percent rule to recover overpayments from recipients who receive SSI payments. See Appendix E for SSA criteria to establish a repayment amount.

Estimating to all 20 segments of the ROAR and SSR, the outstanding overpayment balance at life expectancy could be reduced by over \$623 million (64 percent)—from \$971 million to approximately \$348 million (see Table 3).

**Table 3: Estimated Comparison of Outstanding Balance at Life Expectancy**

Program	Life Expectancy Based on Current Repayment Amount		Life Expectancy Based on Standard Minimum Repayment Amount		
	Number	Balance	Number	Balance	Percent Reduction in Outstanding Balance
OASDI	82,340	\$668,641,323	20,420	\$197,361,756	70
SSI	62,100	\$302,571,025	26,120	\$150,284,861	50
<b>Total</b>	<b>144,440</b>	<b>\$971,212,348</b>	<b>46,540</b>	<b>\$347,646,617</b>	<b>64</b>

## CONCLUSIONS

We estimate that SSA will not recover the entire outstanding overpayment balance from approximately 11 percent of the individuals in our population before they reach life expectancy if they continue repaying their overpayment at the agreed rate. Therefore, we estimate approximately \$971 million (44 percent) of the \$2.2 billion overpayment balance for these individuals is at risk of not being collected.

## RECOMMENDATION

We recommend that SSA evaluate its existing program debt repayment policy to reduce long-term repayment agreements.

## AGENCY COMMENTS

SSA agreed with our recommendation. The Agency's comments are included in Appendix G.

 for

Rona Lawson  
Assistant Inspector General for Audit

# *APPENDICES*

## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed applicable Federal laws and regulations and sections of the Social Security Administration’s (SSA) policies and procedures related to overpayments and overpayment recovery.
- Obtained data from one segment of the Recovery of Overpayments, Accounting and Reporting (ROAR) System and Supplemental Security Record (SSR) for overpayments that had an outstanding balance as of October 27, 2014.<sup>1</sup>
- Combined outstanding overpayments for each individual by adding all outstanding overpayments by program—Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI).
  - Because of systems limitations, we did not determine whether the overpayment originally occurred in the OASDI or SSI program. All outstanding overpayments identified on the ROAR were considered OASDI. Further, all outstanding overpayments identified on the SSR were considered SSI.
  - Some individuals’ outstanding OASDI balance was understated by an undeterminable amount. The outstanding balance reported for on overpayment on the ROAR is limited to the amount that will be recovered by December 2049.<sup>2</sup>
- Identified 64,978 individuals—29,392 OASDI beneficiaries and 35,586 SSI recipients—who had a total outstanding overpayment balance greater than \$1,000 who entered into a repayment agreement (either through benefit withholding or installment agreement) with SSA. For each individual in the population, we conducted analysis to identify the
  - number of months it will take SSA to recover the outstanding balance at the agreed rate;

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<sup>1</sup> The SSR controls the recovery and collection activities related to SSI overpayments. One segment of the SSR represents 5 percent of the total population of SSI recipients. The ROAR System controls the recovery and collection activities related to OASDI benefit overpayments. One segment of the ROAR represents 20 percent of the total population of OASDI beneficiaries. However, to ensure consistency with the review of the SSR segment, we selected the Social Security numbers that corresponded with one segment of the SSR. Therefore, for purposes of this review, one segment of the ROAR represents 5 percent of the total population of OASDI beneficiaries.

<sup>2</sup> Overpayments can be large and are often repaid in monthly installments as deductions from monthly benefits. Payments of these installments can go beyond 2049. SSA has an information technology system design limitation where receivable installment payments extending past 2049 are not included in their accounts receivable balance, but technicians must diary those amounts for future recovery.

- number of months until each individual reaches life expectancy using the Cohort Life Expectancy tables based on intermediate assumptions of the 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, provided by SSA's Office of the Chief Actuary;
- outstanding balance SSA may be able to collect from each individual before reaching life expectancy; and
- outstanding balance at risk of not being collected from each individual before reaching life expectancy.

See Appendix B for detailed methodology of our analysis of overpayment outstanding balances at life expectancy.

- Conducted income analysis for those individuals who had an outstanding balance that was at risk of not being collected before reaching life expectancy. To do so, we obtained the
  - December 2015 OASDI benefit from the Master Beneficiary Record and the SSI payment from the SSR and
  - 2015 wages and self-employment income from the Master Earnings File.

See Appendix C for detailed methodology of our income analysis.

- Conducted analysis to identify the potential impact on overpayment recovery if SSA established a minimum repayment amount in relation to income.
  - Identified income ranges using the Bureau of Labor Statistics Consumer Expenditures and Income Survey.
  - Calculated a minimum repayment amount for each income range.
  - Determined the amount of additional benefits that SSA could recover had it used the minimum repayment amount we calculated.

See Appendix D for detailed methodology for establishing a minimum repayment amount.

The entity reviewed was the Office of Operations. We conducted our review in the Office of Audit, Kansas City, Missouri, between May and December 2016. We determined the data used in this report were sufficiently reliable given the review objectives and their intended use. 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 findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Appendix B – ANALYSIS OF OUTSTANDING BALANCE AT LIFE EXPECTANCY

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We identified 64,978 individuals—29,392 Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries and 35,586 Supplemental Security Income (SSI) recipients—from 1 segment of the Recovery of Overpayments, Accounting and Reporting (ROAR) System and Supplemental Security Record (SSR). These individuals had a total outstanding overpayment balance greater than \$1,000 and entered into a repayment agreement—either through benefit withholding or installment agreement—with the Social Security Administration (SSA).

For each individual in the population, we calculated the following.

- Months to recover the outstanding balance at the agreed rate. We divided the outstanding overpayment balance by the agreed monthly repayment amount.
- Months until each individual reaches life expectancy. Using each individual’s date of birth, we calculated his/her age as of 2014. Using a combination of age, gender, and year of birth, we identified the number of years remaining for each individual’s life expectancy from the Cohort Life Expectancy tables based on intermediate assumptions of the 2015 *Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*, provided by SSA’s Office of the Chief Actuary.<sup>1</sup> We then divided the years remaining in life expectancy by 12.
- Outstanding balance SSA can collect from each individual before they reach life expectancy. We multiplied the number of months until each individual in the population reaches life expectancy by the agreed monthly repayment amount.
- Outstanding balance at risk of not being collected. We subtracted the amount SSA may be able to collect from each individual before life expectancy from the outstanding balance as of October 2014 date.

For example, one OASDI beneficiary who had a \$59,213 outstanding overpayment had an agreement to repay \$40 per month. It would take 1,481 months (124 years) to recover the total overpayment (\$59,213 divided by \$40). However, the beneficiary, a 46-year-old male born in 1968, had a remaining life expectancy of approximately 36 years (432 months). SSA could collect \$17,280 (\$40 per month multiplied by 432 months remaining in life expectancy) before the beneficiary reaches life expectancy. This would result in \$41,933 at risk of not being collected before the beneficiary reaches life expectancy (\$59,213 minus \$17,280).

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<sup>1</sup> When gender was identified as “Unknown,” we used the life expectancy for females for our analysis. Since females have a longer life expectancy, this provided for the maximum number of months to collect the outstanding overpayment balance.

This analysis determined 7,222 (11 percent) of the 64,978 individuals in our population would not repay their entire overpayment balance before they reach life expectancy.

**Table B–1: Individuals Outstanding Balance as of October 2014**

Program	Individuals	Balance	No Repayment by Life Expectancy	
			Individuals	Balance
OASDI	29,392	\$243,263,337	4,117	\$77,813,331
SSI	35,586	\$179,736,441	3,105	\$33,062,622
<b>Total</b>	<b>64,978</b>	<b>\$422,999,778</b>	<b>7,222</b>	<b>\$110,875,953</b>

## Appendix C – INCOME ANALYSIS

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For the 7,222 individuals we identified who would not repay their entire overpayment balance before they reach life expectancy, we conducted income analysis to determine the current monthly repayment amount as a percentage of the individual's monthly income.<sup>1</sup>

- We computed the December 2015 monthly income. We identified the monthly Old-Age, Survivors and Disability Insurance (OASDI) benefit amount due in December 2015 from the Master Beneficiary Record and the Supplemental Security Income (SSI) payment due in December 2015 from the Supplemental Security Record. In addition, we obtained the 2015 wages and self-employment income from the Master Earnings File. We calculated the total monthly income by dividing the annual wages and self-employment income by 12 and adding it to the monthly OASDI benefit and SSI payment.
- We computed the monthly repayment amount as a percentage of the individual's monthly income. We divided the monthly repayment amount by the December 2015 monthly income calculated above.

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<sup>1</sup> Our analysis was limited to the individual's monthly income and did not include analysis of expense or asset information.

## Appendix D – ANALYSIS OF STANDARD REPAYMENT

For the 7,222 individuals we identified who would not repay their entire overpayment balance before they reach life expectancy, we conducted analysis to identify the potential impact on overpayment recovery if the Social Security Administration (SSA) established a minimum repayment amount in relation to income. We performed the following calculations.

- Calculated monthly ranges for purposes of our analysis using the Bureau of Labor Statistics (BLS) Consumer Expenditures and Income Survey annual income ranges.<sup>1</sup> To calculate the monthly ranges, we divided the top and bottom annual income amounts for each range by 12. See Table D–1 for the resulting monthly income ranges.
- Calculated the median monthly amount for each range. We identified the amount that was at the midpoint for each income range. See Table D–1 for the resulting median monthly amount.

**Table D–1: Monthly Income Ranges and Median Income**

BLS Monthly Income	Median Monthly Income	10 Percent of Median Monthly Income
\$0 - \$416.66	\$208.33	\$20.83
\$416.67 - \$833.32	\$624.99	\$62.50
\$833.33 - \$1,249.99	\$1,041.66	\$104.17
\$1,250.00 - \$1,666.66	\$1,458.33	\$145.83
\$1,666.67 - \$2,499.99	\$2,083.33	\$208.33
\$2,500.00 - \$3,333.32	\$2,916.66	\$291.67
\$3,333.33 - \$4,166.66	\$3,750.00	\$375.00
\$4,166.67 - \$5,833.32	\$4,999.99	\$500.00
Greater than \$5,833.32 <sup>2</sup>	\$5,833.33	\$583.33

- Calculated a minimum repayment amount for each income range. We multiplied the median monthly income amount calculated above by 10 percent. See Table D–1 for the resulting 10 percent median monthly amount.

<sup>1</sup> BLS, Consumer Expenditure Survey, Table 1202: *Income before taxes: Annual Expenditure means, shares, standard errors, and coefficients of variation, 2014.*

<sup>2</sup> Because the upper limit for this range is undetermined, we used 10 percent of the lower limit.

- Identified the minimum repayment amount applicable for each individual’s income.<sup>3</sup> Using the income we identified for December 2015, we determined the range and corresponding 10 percent median monthly income for each individual.
- Identified the most advantageous monthly repayment amount for each individual. For purposes of our analysis, we used the greater of the individual’s agreed monthly repayment amount or the minimum repayment amount applicable based on their December 2015 income.
- Calculated the potential amount collected by life expectancy. We calculated the potential amount collected by multiplying the most advantageous monthly repayment amount by the number of months until the individual reaches life expectancy or the outstanding balance would be paid in full.
- Calculated the outstanding balance at risk of not being collected if SSA were to use a consistent minimum repayment amount. We subtracted the potential amount collected by life expectancy from the outstanding overpayment balance.
- Calculated the reduction in the outstanding balance when an individual reaches life expectancy. We subtracted the outstanding balance at life expectancy using the most advantageous monthly repayment amount from the outstanding balance at life expectancy we calculated if SSA were to continue collecting at the agreed monthly repayment amount. See Table D–2.

**Table D–2: Change in Balance by Income Range**

BLS Monthly Income	10 Percent of Median Monthly Income	Number of Individuals			
		Balance Eliminated	Balance Reduced	No Balance Change	Total
\$0 - \$416.66	\$20.83	320	482	730	1,532
\$416.67 - \$833.32	\$62.50	1,493	385	370	2,248
\$833.33 - \$1,249.99	\$104.17	1,164	213	23	1,400
\$1,250.00 - \$1,666.66	\$145.83	566	57	25	648
\$1,666.67 - \$2,499.99	\$208.33	689	27	8	724
\$2,500.00 - \$3,333.32	\$291.67	291	5	1	297
\$3,333.33 - \$4,166.66	\$375.00	142	0	0	142
\$4,166.67 - \$5,833.32	\$500.00	127	0	0	127
Greater than \$5,833.32	\$583.33	103	1	0	104
		<b>4,895</b>	<b>1,170</b>	<b>1,157</b>	<b>7,222</b>

<sup>3</sup> SSA’s policy is to evaluate an individual’s income, expenses, and assets. SSA, POMS, GN 02210.030 (October 20, 2016). Our analysis was limited to the individual’s monthly income and did not include analysis of expense or asset information.

For example, for an Old-Age, Survivors and Disability Insurance beneficiary with a \$5,788 monthly income, the applicable monthly income range would be \$4,166.67 to \$5,833.32. Therefore, the consistent minimum repayment amount applicable for this income range would be \$500 per month. Comparing the beneficiary's monthly repayment amount of \$40 to the consistent minimum repayment amount of \$500, the most advantageous monthly repayment amount would be \$500. This would result in a monthly increase of \$460.

The remaining life expectancy for this beneficiary was 432 months. Therefore, with a minimum repayment amount of \$500 per month, SSA could collect the full outstanding balance of \$59,213 (432 months until life expectancy multiplied by \$500 per month equals more than the outstanding balance), and eliminate any balance from being at risk of not being collected. Whereas, at the current rate of \$40 per month, SSA would only collect \$17,280, leaving \$41,933 at risk of not being collected. Therefore, collecting at the standardized repayment amount would result in a reduction in the outstanding balance at life expectancy of \$41,933 over the current repayment amount (\$41,933 outstanding balance based on current repayment amount minus \$0 outstanding balance based on minimum repayment amount).

## Appendix E – REPAYMENT AGREEMENT DETERMINATION

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The Social Security Administration (SSA) should attempt to recover overpayments anytime the overpayment has not been waived. Initially, SSA requests a full and immediate refund of overpayments. If a full refund is not possible, SSA can recover an overpayment through such means as benefit withholding or installment agreement.

### Old-Age, Survivors and Disability Insurance Collection Process

For Old-Age, Survivors and Disability Insurance (OASDI) beneficiaries in current pay, the *Social Security Act* requires that SSA decrease monthly benefits to recover an outstanding overpayment.<sup>1</sup> Beneficiaries not in current pay are required to refund the amount of the overpayment. However, the Act does not identify the amount that should be collected each month.<sup>2</sup> For beneficiaries in current pay, regulations require that the full benefit be withheld unless full withholding would deprive the person of income required for ordinary and necessary living expenses. In this case, a minimum of \$10 is required to be withheld.<sup>3</sup> SSA policy indicates that SSA should attempt to collect the full balance of an overpayment within 1 year. If that is not possible, SSA attempts to collect the entire overpayment amount within 3 years. However, if the beneficiary would be unable to meet their ordinary and necessary living expenses, the beneficiary may request a lower repayment rate. SSA evaluates an individual's income, expenses, and assets to determine the monthly repayment amount.<sup>4</sup>

### Supplemental Security Income Collection Process

For Supplemental Security Income (SSI) recipients in current pay, the *Social Security Act* requires that SSA collect the lesser of (1) the amount of his/her benefit for that month or (2) an amount equal to 10 percent of his/her income for that month. However, this requirement does not prevent or restrict SSA from more substantial collection.<sup>5</sup> Further, regulations indicate that a higher or lower rate can be requested.<sup>6</sup> If a lower rate is requested, SSA can negotiate a repayment rate that allows the recipient to meet his/her current necessary and ordinary living

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<sup>1</sup> *Social Security Act* §204(a)(1)(A), 42 U.S.C. §404(a)(1)(A).

<sup>2</sup> See Footnote 1.

<sup>3</sup> 20 C.F.R. §404.502. An April 2016 Government Accountability Office (GAO) report, *SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Deter Potential Fraud* (GAO 16-331), recommended that SSA adjust the minimum withholding rate to 10 percent of monthly Disability Insurance benefits to allow quicker recovery of debt. In response to this recommendation, SSA indicated that the Fiscal Year 2017 President's budget submission contained a legislative proposal to establish a minimum repayment amount of 10 percent of a beneficiary's monthly benefit for OASDI overpayments. The SSI program already uses a 10-percent rule to recover overpayments. See Appendix F for a summary of GAO's findings and recommendations.

<sup>4</sup> SSA, POMS, GN 02210.030 (October 20, 2016).

<sup>5</sup> *Social Security Act* §1631(b)(1)(B), 42 U.S.C. §1383(b)(1)(B).

<sup>6</sup> 20 C.F.R. §416.571.

expenses.<sup>7</sup> Individuals not in current pay are required to refund the amount of the overpayments. However, the Act does not identify the amount that should be collected each month.<sup>8</sup>

Whether in current pay or not, SSA policy indicates that Agency staff should attempt to collect the full balance of an overpayment within 1 year. If this is not possible, SSA will attempt to collect the entire overpayment within 3 years, unless the recipient would be unable to meet his/her ordinary and necessary living expenses. In this case, a lower rate can be requested.<sup>9</sup> SSA evaluates an individual's income, expenses, and assets to determine the monthly repayment amount.<sup>10</sup> However, SSA should not accept less than \$10 per month.<sup>11</sup>

For both OASDI and SSI overpayments, once SSA has negotiated a monthly repayment rate, SSA policy does not require reevaluation of the individual's financial circumstances. As a result, SSA may not be aware of changes in the ordinary and necessary living expenses of the individual that could result in a change to the repayment rate.

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<sup>7</sup> 20 C.F.R. §§416.560, 416.570, and 416.571.

<sup>8</sup> *Social Security Act* §1631, 42 U.S.C. §1383.

<sup>9</sup> SSA, POMS, SI 02220.017.A.2 (July 17, 2015).

<sup>10</sup> SSA, POMS, GN 02210.030 (October 20, 2016).

<sup>11</sup> See Footnote 9.

## Appendix F – GOVERNMENT ACCOUNTABILITY OFFICE RECOMMENDATIONS

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In April 2016, the Government Accountability Office (GAO) issued a report, *SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Deter Potential Fraud* (GAO 16- 331). The report indicated that the Social Security Administration (SSA) was missing opportunities to recover Disability Insurance (DI) overpayments made to beneficiaries. GAO concluded that SSA’s policy to establish repayment amounts based on a beneficiary’s income, expenses, and assets is not clear regarding which expenses are reasonable. Moreover, GAO stated that SSA did not know whether repayment periods and amounts were consistently determined because of a lack of oversight, such as supervisory review or targeted quality reviews. Further, SSA lacked concrete plans for pursuing other overpayment recovery options, while GAO’s analysis suggested that some options could increase collections from individuals whose benefits are withheld.

To ensure effective and appropriate recovery of DI overpayments, GAO recommended that SSA take various actions, including the following.

- Clarify its policy for assessing the reasonableness of expenses used in determining beneficiaries’ repayment amounts to help ensure withholding plans are consistently established across the Agency and accurately reflect individuals’ ability to pay. SSA responded to this recommendation stating clarification to policy regarding overpayments and waivers had been made. SSA continues to assess and make improvements to ensure consistency and accurate application of overpayment, waiver, and adjustment of recovery amount policy for technicians.
- Improve oversight of DI benefit withholding agreements to ensure they are completed appropriately. This could include requiring supervisory review of repayment plans or sampling plans as part of a quality control process and requiring that supporting documentation for all withholding plans be retained to enable the Agency to perform such oversight. SSA responded to this recommendation stating it continues exploring options for ensuring that it appropriately completes benefit-withholding agreements. SSA did not agree with the requirement of supervisory review of repayment plans.
- Explore the feasibility of using additional methods to independently verify financial information provided by beneficiaries to ensure that complete and reliable information is used when determining repayment amounts. These additional tools could include those the Agency was already using for other purposes. SSA responded to this recommendation stating it continues exploring the feasibility of using additional methods to independently verify financial information provided by beneficiaries when determining repayment amounts.

- Adjust the minimum withholding rate to 10 percent of monthly DI benefits to allow quicker recovery of overpayments. SSA responded to this recommendation stating the Fiscal Year 2017 President’s budget submission contains a legislative proposal to establish a minimum repayment amount of 10 percent of a beneficiary’s monthly benefit for Title II overpayments.
- Consider adjusting monthly withholding amounts according to cost of living adjustments or charging interest on overpayments being collected by withholding benefits. Should SSA determine it is necessary to do so, it could pursue legislative authority to use recovery tools it is unable to use. SSA responded to this recommendation stating it did not believe this recommendation would have a significant impact on recovering debt, particularly in comparison to the proposal to adjust the minimum withholding rate to 10 percent of monthly benefits. While SSA has not performed a cost-benefit analysis to implement charging interest or indexing delinquent debts for inflation, SSA has researched the changes necessary to implement charging interest, which is extensive because it would affect multiple systems that affect SSA’s overpayment business processes. In addition, the implementation would require procedural changes and extensive employee training. SSA added that, given resource limitations, it must strive to balance public service and stewardship responsibilities.

## Appendix G – AGENCY COMMENTS

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## SOCIAL SECURITY

### MEMORANDUM

Date: April 20, 2017

Refer To: SIJ-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, "Overpayments Collected Through Long-term Repayment Plans" (A-07-16-50082)--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.

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “OVERPAYMENTS COLLECTED THROUGH LONG-TERM REPAYMENT PLANS” (A-07-16-50082)**

Thank you for the opportunity to comment on the draft report. We take our responsibility to recover overpayments very 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 and Survivors Disability Insurance (OASDI) and Supplemental Security Income (SSI) overpayments. Most recently, in FY 2016, we took action to collect \$3.29 billion in OASDI and SSI overpayments.

As noted in the report, current regulations and policy require us to conduct detailed case reviews and negotiate repayment rates based on a number of variables in addition to income. Those include monthly living expenses, household structure, as well as other resource factors. Our review of several individual examples in the report found that they have income and resources low enough to receive public assistance. Therefore, full recovery efforts to collect the overpayment would deprive the individuals of the resources needed for basic ordinary and necessary living expenses. In those instances, a more aggressive recovery effort would conflict with our mission to provide and promote economic security of our nation’s people.

Below is our response to the recommendation.

**Recommendation 1**

Evaluate its existing program debt repayment policy to reduce long-term repayment agreements.

**Response**

We agree. We are pursuing a proposal, either through legislation or by regulation, to increase the minimum collection for overpayments under Title II of the Social Security Act from \$10 to 10 percent of the benefit payable for the month. In addition, we will examine our existing policies regarding overpayments collected through long-term repayment plans to determine where there may be opportunities to reduce long-term repayment agreements.

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