



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

Audit Report

Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2022

A-15-22-51183 May 2023



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 5, 2023

Refer to: A-15-22-51183

To: Kilolo Kijakazi
Acting Commissioner

From: Gail S. Ennis 
Inspector General

Subject: Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2022

The attached final report presents the results of the Office of Audit's review. The objective was to determine whether the Social Security Administration met all requirements of the *Payment Integrity Information Act of 2019* in the Fiscal Year 2022 Agency Financial Report and accompanying materials.

Please provide within 60 days a corrective action plan that addresses the recommendation. If you wish to discuss the final report, please call me or have your staff contact Michelle L. Anderson, Assistant Inspector General for Audit.

Attachment

Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2022

A-15-22-51183



May 2023

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) met all requirements of the *Payment Integrity Information Act of 2019* (PIIA) in the Fiscal Year (FY) 2022 Agency Financial Report and accompanying materials.

Background

On March 2, 2020, the President signed PIIA into law to improve efforts to identify and reduce Government-wide improper payments.

PIIA repealed and replaced the *Improper Payments Elimination and Recovery Improvement Act of 2012*, *Improper Payments Elimination and Recovery Act of 2010*, and *Improper Payments Information Act of 2002*.

The Office of Management and Budget (OMB) issued updated Government-wide guidance on the implementation of PIIA. PIIA and OMB guidance require that agencies report specific improper payment information in their Annual Financial Reports (AFR) and accompanying materials. Further, the law and guidance require that Inspectors General review the improper payment information their respective agencies report in their AFRs and accompanying materials.

Results

For its FY 2022 Payment Integrity reporting, SSA fully complied with PIIA reporting requirements for the Supplemental Security Income (SSI) and Old-Age, Survivors and Disability Insurance (OASDI) programs.

A leading cause of overpayments in the SSI program is financial accounts. To address this, SSA implemented the Access to Financial Institutions (AFI) program in June 2011. AFI verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the individual's address. SSA uses AFI when it processes initial SSI applications and periodic eligibility redeterminations. Between FYs 2011 and 2021, overpayments related to financial accounts averaged approximately \$1.2 billion. In FY 2023, SSA plans to explore reducing the AFI tolerance of countable liquid resources from \$400 to \$0.

In addition, wage discrepancies and substantial gainful activity were a leading cause of SSI and OASDI improper payments, respectively. In FY 2019, SSA awarded a contract to build an information exchange to obtain monthly earnings data from third-party payroll data providers. In FY 2023, SSA plans to continue working toward implementing the payroll exchange. SSA is several years from determining whether the commercial payroll exchange effectively reduces improper payments that are caused by wage and substantial gainful activity reporting deficiencies.

While SSA has made progress implementing corrective actions to address improper payments, it still has work to do. As in prior years, we maintain that SSA needs to implement or expand existing corrective actions to address improper payments.

Recommendation

We recommend SSA conduct a study to expand AFI searches between the initial SSI application and subsequent eligibility redeterminations. SSA agreed with our recommendation.

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ABBREVIATIONS

AFI	Access to Financial Institutions
AFR	Agency Financial Report
C.F.R.	Code of Federal Regulations
FY	Fiscal Year
IP	Improper Payment
IPAS	Improper Payment Alignment Strategy
IPPT	Improper Payments Prevention Team
ISM	In-kind Support and Maintenance
OASDI	Old-Age, Survivors, and Disability Insurance
OIG	Office of the Inspector General
OMB	Office of Management and Budget
OQR	Office of Quality Review
PIIA	<i>Payment Integrity Information Act of 2019</i>
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
UP	Unknown Payment
U.S.C.	United States Code
WEP	Windfall Elimination Provision

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) met all requirements of the *Payment Integrity Information Act of 2019* (PIIA) in the Fiscal Year (FY) 2022 Agency Financial Report (AFR) and accompanying materials.

BACKGROUND

On March 2, 2020, the President signed PIIA to improve efforts to identify and reduce Government-wide improper payments (IP).¹ Under PIIA, agencies must identify all programs and activities that may be susceptible to significant improper payments. Once these programs and activities are identified, each agency is required to report on actions it has taken, or plans to take, to recover improper payments and prevent future improper payments.² See Appendix A for agency reporting requirements.

Inspectors General are required to review their respective agencies' improper payment and high-dollar overpayment reporting requirements. Our compliance review for FY 2022 used a combination of requirements in Office of Management and Budget (OMB) Circulars A-123, Appendix C, *Requirements for Payments Integrity Improvement*,³ and A-136 *Financial Reporting Requirements*;⁴ OMB Annual Data Call Instructions;⁵ and the Council of the Inspectors General on Integrity and Efficiency's guidance required under PIIA.⁶ Refer to Appendix B for Inspector General reporting responsibilities and Appendix C for our scope and methodology.

¹ Pub. L. No. 116-117, 134 Stat. 113. PIIA revised the Government's improper payment reporting requirements by repealing and replacing the *Improper Payments Information Act of 2002*, *Improper Payments Elimination and Recovery Act of 2010*, *Improper Payments Elimination and Recovery Improvement Act of 2012*, and *Fraud Reduction and Data Analytics Act of 2015*.

² *Payment Integrity Information Act of 2019*, 31 U.S.C. § 3352(b)(2)(B)(i).

³ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19 (2021).

⁴ OMB, *Financial Reporting Requirements, Circular A-136 Revised* (2022).

⁵ OMB annual data call instructions are posted to community.max.gov.

⁶ Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (2022).

SSA's Office of Quality Review (OQR) conducts stewardship reviews to determine the accuracy of benefit entitlement/eligibility and payment amounts made during a sample period. These stewardship reviews examine the non-medical elements in the Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs.⁷ Each month, OQR selects a statistically valid sample of beneficiaries who received one or more payments during the review period. An OQR employee interviews the selected beneficiary or their representative payee, makes necessary collateral contacts, and re-develops all non-medical factors of entitlement as of the sample month. OMB approved SSA using these reviews to produce a statistically valid estimate of SSA's improper payments. Improper payment amounts SSA identifies through its stewardship reviews can fluctuate greatly from year to year. As we stated in our prior report, SSA should re-evaluate its use of the stewardship reviews to estimate improper payments.⁸

SSA reports the results of its stewardship reviews, in part, in the payment integrity section of its AFR and accompanying materials.⁹ In accordance with OMB guidelines, SSA reports improper payments that result from (1) its mistake in computing the payment; (2) its failure to obtain, or act on, available information affecting the payment; (3) a beneficiary's failure to report an event; or (4) a beneficiary's incorrect report.¹⁰ Some stewardship cases have more than one error that causes an incorrect payment. SSA calls each error a deficiency. Data SSA reported in its FY 2022 AFR and accompanying materials were for cases OQR sampled in FY 2021. SSA will not have the FY 2022 data until late FY 2023.

In FY 2019, SSA established the Improper Payment Prevention Team (IPPT) to address improper payments. Since FY 2019, the IPPT has developed nine Improper Payment Alignment Strategies (IPAS) to determine the underlying causes of payment errors, develop corrective action plans, and determine cost-effective actions.¹¹

⁷ The OASDI program provides benefits to wage earners and their families who meet certain criteria in the event the wage earner retires, becomes disabled, or dies. See 20 C.F.R. part 404. The SSI program provides payments to individuals with limited income and resources who are aged, blind, or disabled. See 20 C.F.R. § 416.110.

⁸ SSA, OIG, *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2019 Agency Financial Report, A-15-19-50842*, p. 14 (May 2020). SSA, OIG, *The Social Security Administration's Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2021, A-15-21-51121*, p. 2 (May 2022).

⁹ SSA, *Agency Financial Report Fiscal Year 2022*, p. 150 (November 2022).

¹⁰ SSA, *Agency Financial Report Fiscal Year 2022*, p. 151 (November 2022).

¹¹ As of December 2022, SSA had finalized nine IPAS: (1) Substantial Gainful Activity (SGA), (2) Financial Accounts, (3) SSI Wages, (4) Non-home Real Property, (5) Absence from the United States, (6) Medical Cessation Processing, (7) Death Data, (8) Government Pension Offset and Windfall Elimination Provision, and (9) In-kind Support and Maintenance (ISM). The IPAS are living documents that SSA updates continually.

RESULTS OF REVIEW

In FY 2022, SSA met all 10 PIIA criteria for the OASDI and SSI programs (see Table 1).

Table 1: SSA’s PIIA Compliance Reporting¹²

Requirement	OASDI	SSI
Published payment integrity information with the annual financial statement	Compliant	Compliant
Posted the annual financial statement and accompanying materials on the Agency Website	Compliant	Compliant
Conducted IP risk assessment for each program with annual outlays greater than \$10 million at least once in the last 3 years	Compliant	Compliant
Adequately concluded whether the program is likely to make IPs and unknown payments (UP) ¹³ above or below the statutory threshold	Compliant	Compliant
Published IP and UP estimates for programs susceptible to significant IPs in the accompanying materials to the annual financial statement	Compliant	Compliant
Published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Compliant	Compliant
Published IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement	Compliant	Compliant
Has demonstrated improvements to payment integrity or reached a tolerable IP and UP rate	Compliant	Compliant
Has developed a plan to meet the IP and UP reduction target	Compliant	Compliant
Reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement	Compliant	Compliant

SSA also timely submitted the OMB-required information used to populate the FY 2022 quarterly Payment Integrity Scorecards, which fulfills the high-dollar overpayment reporting requirements.¹⁴ In addition, SSA completely and accurately provided supporting documentation for material facts and figures presented in its FY 2022 AFR and accompanying information.

¹² OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-21-19*, part VI, section (C)(5), p. 52 (2021).

¹³ Per OMB, if a program cannot discern whether a payment is proper or improper, the payment is considered an unknown payment. OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-21-19*, part I, section (C), p. 12 (2021).

¹⁴ The Payment Integrity Scorecard demonstrates the Agency’s progress made, at the program level, to improve payment integrity and reduce improper payments. *Payment Accuracy*, paymentaccuracy.gov (March 2, 2023).

Overpayments Caused by Financial Accounts

As reported in prior years, a leading cause of overpayments in the SSI program is financial accounts.¹⁵ To address this, SSA implemented the Access to Financial Institutions (AFI) program in June 2011. AFI verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the individual's address. SSA uses AFI when it processes initial SSI applications and periodic eligibility redeterminations.¹⁶ Between FYs 2011 and 2021, overpayments related to financial accounts averaged approximately \$1.2 billion, refer to Figure 1.

Figure 1: SSI Financial Accounts Overpayment Deficiency Dollars (FYs 2011 Through 2021)¹⁷



A successful improper payment initiative should have significantly reduced these financial account deficiencies. SSA last updated the AFI program in January 2016 when it added a search feature to identify financial institutions by routing number.¹⁸ During our 2019 review, SSA indicated it was exploring an expansion study that could reduce the AFI tolerance of countable liquid resources from \$400 to \$0. In our FY 2021 review, we encouraged SSA to

¹⁵ SSA, *Fiscal Year 2021 Title XVI Payment Accuracy Report*, p. 2 (May 2022).

¹⁶ A redetermination reviews a recipient's non-medical eligibility factors (income, resources, and living arrangements) to determine whether the recipient is still eligible for, and receiving, the correct SSI payment. SSA, *POMS*, SI 02305.001, A (September 5, 2019).

¹⁷ OQR provided the deficiency dollar amounts. We did not independently verify these data. Per SSA, "the size of the stewardship sample provides statistically reliable data on the overall payment accuracy of SSI payments issued in a specific fiscal year; however, the annual sample is not large enough to provide statistically reliable information about deficiencies for a given year. We summarize deficiency data over a rolling 5-year period."

¹⁸ The routing number identifies the specific financial institution which is responsible for the payment.

complete the expansion study.¹⁹ SSA provided the following response on the expansion study: “In FY 2020, [the Agency] placed the study on hold due to the impact of the COVID-19 pandemic, and it remained on hold in FYs 2021 and 2022 due to reentry efforts. SSA stated it is currently reviewing the operational impact and feasibility of the study.”

Several of our previous PIIA audits determined the Agency could have realized additional savings had it used AFI more often. SSA uses AFI at the initial SSI application and during periodic redeterminations. In December 2014, we reported SSA would not realize AFI’s full potential for identifying and preventing improper payments until it used AFI for all cases.²⁰ We recommended SSA determine whether systems enhancements were feasible for the program. Per SSA, 86 percent of financial account overpayments occurred because of changes after the initial claim and redeterminations.²¹ We estimated, in FY 2021, SSA could have prevented approximately \$1.4 billion in overpayments due to financial accounts had it performed AFI searches between the initial application and redetermination.²² SSA previously indicated it was exploring the use of AFI between the initial applications and subsequent eligibility redeterminations.²³ We requested an update in March 2023. SSA responded: “...we are not pursuing a study on the feasibility of using AFI between initial claims and redeterminations. SSA maintains that the ability to check accounts retrospectively through AFI does not completely prevent or reduce improper payments. AFI identifies errors, but the SSI program continues to rely heavily on recipients reporting changes timely to prevent errors.”

In July 2021, we reported SSA employees did not always update the value of one or more resources, including financial accounts, when they completed redeterminations. We projected 65,980 recipients were over the SSI resource limit and were improperly paid approximately \$64 million.²⁴ In September 2021, SSA issued a reminder to staff to develop and properly document financial accounts SSA. In March 2023, SSA issued a reminder to staff about AFI and financial accounts policy and procedures. In its review of FY 2018 transactions, OQR recommended a systems enhancement that would prevent staff from clearing a redetermination without a completed AFI search.²⁵ SSA is evaluating the existing AFI edits for redeterminations and limited issues to determine where an enhancement is needed. Future enhancements may be made based on funding availability and resource capacity.

¹⁹ SSA, OIG, *The Social Security Administration’s Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2021*, A-15-21-51121, p. 12 (May 2022).

²⁰ SSA, OIG, *The Social Security Administration’s Access to Financial Institutions Program, Limited Distribution*, A-01-13-13069 (December 2014).

²¹ SSA, *Fiscal Year 2021 Title XVI Payment Accuracy Report*, p. 9 (May 2022).

²² We calculated this estimate using information from SSA’s *Fiscal Year 2021 Title XVI Payment Accuracy Report*, p. 9 (May 2022).

²³ SSA, OIG, *The Social Security Administration’s Compliance with the Payment Integrity Information Act of 2019 in the Fiscal Year 2020 Agency Financial Report*, A-15-20-50949, p. 9 (May 2021).

²⁴ SSA, OIG, *Redeterminations Social Security Administration Employees Closed Without Assessing Resources*, A-02-18-50545 (July 2021).

²⁵ SSA, *Fiscal Year 2018 Title XVI Transaction Accuracy Review*, p. A-3 (revised September 2020).

As in prior years, we maintain that SSA needs to implement or expand existing corrective actions to address improper payments. SSA should continue exploring the liquid resource tolerance reduction from \$400 to \$0, as well as reducing the barriers to using AFI between initial claims and redeterminations. We acknowledge additional AFI usage may require additional costs and resources. SSA stated, “[it] will incorporate any available cost benefit analysis when completing the evaluation review in FY 2024.”

Overpayments Caused by Earnings

According to SSA, wage discrepancies are a leading cause of improper payments in the SSI program.²⁶ Wage discrepancies occur when a recipient or their deemor²⁷ has actual wages that differ from those SSA used to calculate the SSI payment. SSA has developed three wage reporting systems to mitigate wage discrepancies:

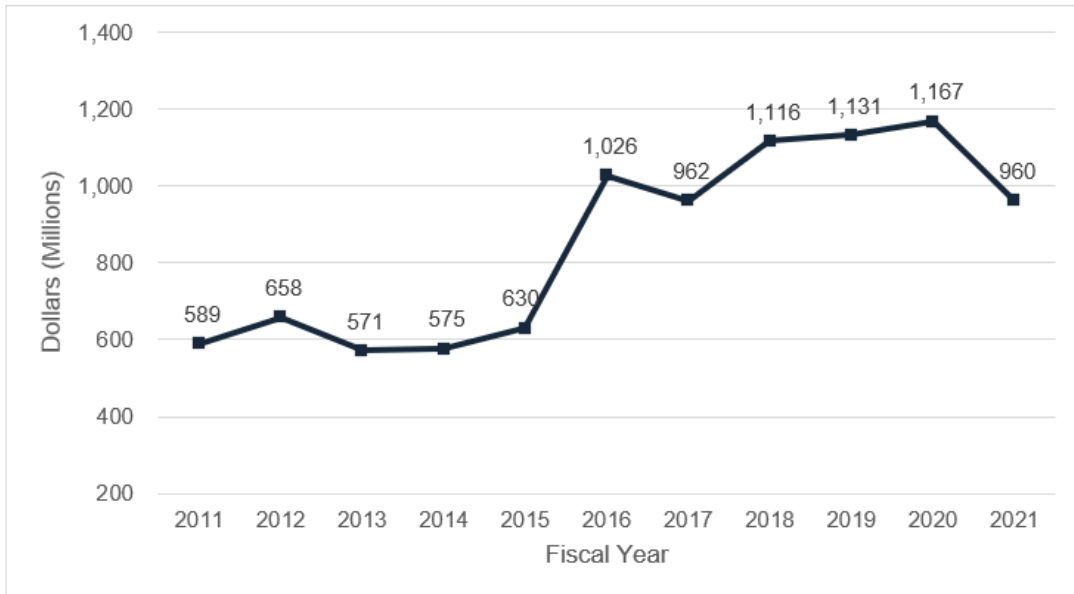
1. In FY 2008, SSA implemented the SSI Telephone Wage Reporting System to allow recipients, representative payees, and deemors to report prior monthly gross wages.
2. In August 2013, SSA implemented SSI Mobile Wage Reporting.
3. In June 2018, SSA implemented online wage reporting for SSI recipients.

²⁶ SSA, *Fiscal Year 2021 Title XVI Payment Accuracy Report*, p. 2 (May 2022).

²⁷ A deemor is an individual, such as an SSI recipient’s ineligible spouse or parent, whose income and resources SSA considers when it determines a recipient’s SSI eligibility or payment amount. SSA, *POMS*, SI 01310.127 (April 13, 1999).

Although the number of wage reports SSI recipients submitted using these systems increased over the years, overpayments related to wages averaged \$853 million from FYs 2011 to 2021, as shown in Figure 2.

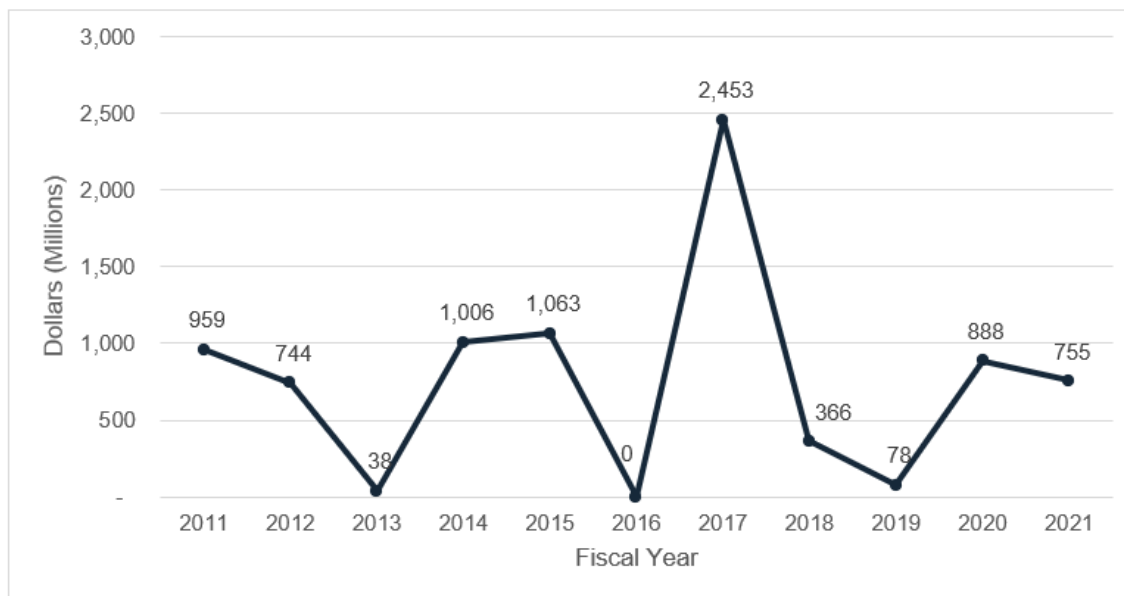
Figure 2: SSI Wages Overpayment Deficiency Dollars (FYs 2011 Through 2021)²⁸



²⁸ See Footnote 17.

In addition, overpayments attributed to disabled beneficiaries engaging in SGA have been a leading cause of improper payments in the OASDI program. As shown in Figure 3, SGA overpayments fluctuated greatly from FYs 2011 through 2021.

Figure 3: OASDI SGA Overpayment Deficiency Dollars (FYs 2011 Through 2021)²⁹



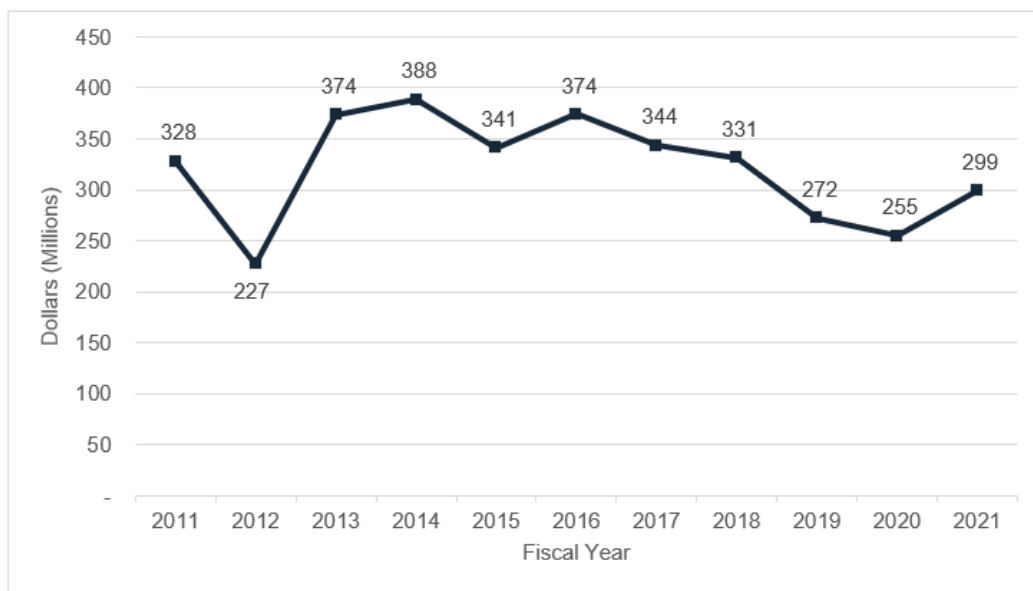
In FY 2019, SSA awarded a contract to build an information exchange to obtain monthly earnings data from third-party payroll data providers. SSA completed its first data exchange in August 2021. In FY 2023, SSA plans to continue working toward implementing a payroll exchange. SSA is several years from determining whether the commercial payroll exchange effectively reduces improper payments caused by wage and SGA reporting deficiencies. Because SSA has not substantially reduced overpayments due to wages and SGA, it should continue implementing the commercial payroll exchange as well as other corrective actions to reduce these errors.

²⁹ OQR provided the deficiency dollar amounts. We did not independently verify these data. Per SSA, “the size of the stewardship sample provides statistically reliable data on the overall payment accuracy of [OASDI] payments issued in a specific fiscal year; however, the annual sample is not large enough to provide statistically reliable information about deficiencies for a given year. We summarize deficiency data over a rolling 5-year period.”

Overpayments Caused by In-kind Support and Maintenance

According to SSA, ISM discrepancies are a leading cause of improper payments in the SSI program.³⁰ SSI recipients can receive ISM in the form of food, shelter, or both from family, friends, or other third-party sources. Recipients may be charged for ISM unless they are paying their share of expenses. SSA includes a tolerance that prevents it from assessing ISM if a recipient is within a specific dollar amount of meeting their share of expenses. In October 2021, SSA increased the tolerance from \$5 to \$20.³¹ SSI recipients and their representative payees are required to notify SSA when household expenses, including ISM, change. Figure 4 shows the ISM overpayment deficiency dollars

Figure 4: SSI ISM Overpayment Deficiency Dollars (FYs 2011 Through 2021)³²



³⁰ SSA, *Fiscal Year 2021 Title XVI Payment Accuracy Report*, p. 2 (May 2022).

³¹ SSA, *POMS*, SI 00835.160, C.2. (September 24, 2021).

³² See Footnote 17.

SSA provided the following explanation as to why it is difficult to determine the reason for the increase in overpayments from FYs 2020 to 2021.

The size of the stewardship sample provides statistically reliable data on the overall payment accuracy of SSI payments issued in a specific fiscal year; however, the annual sample is not large enough to provide statistically reliable information about deficiencies for a given year. We summarize deficiency data over a rolling 5-year period.

[SSI] recipients and their representative payees are required to notify us when a change occurs that affects their SSI eligibility and payment amount, such as living arrangements and [ISM]. The law requires us to reduce an individual's payment amount by up to one-third when he or she is living in another person's household and receiving support and maintenance (i.e., food and shelter). This type of income is difficult to value because it can fluctuate each month as household expenses and composition and the type of assistance provided may change. We rely on the recipient to provide details about the household in order to determine the living arrangement and the amount of ISM received, if any. The primary cause of ISM overpayments is failure of the recipient to report changes timely or accurately, and there is no data source for the root cause to validate payment accuracy prior to making a payment.

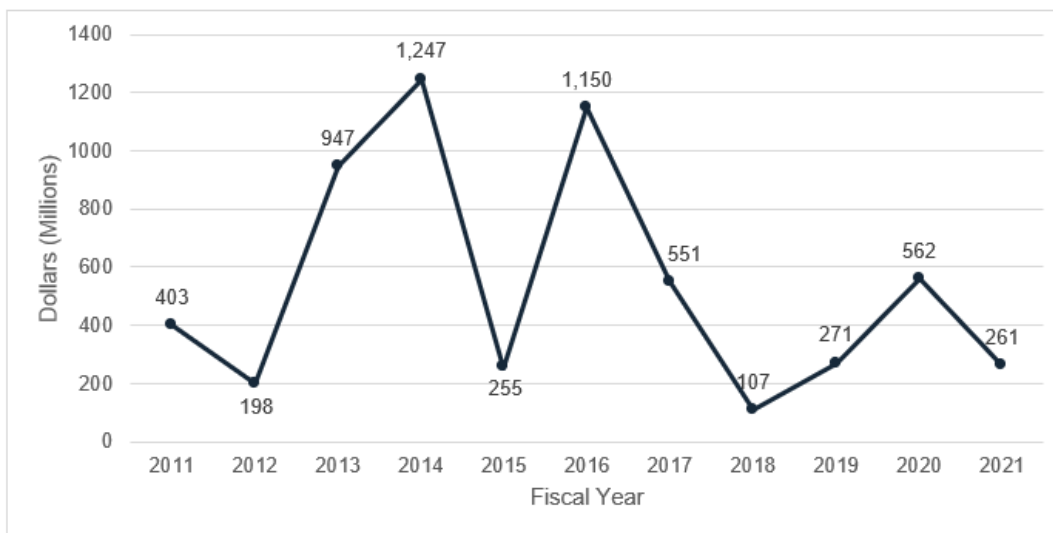
SSA is developing a regulation that will stop counting the value of food given to SSI recipients as ISM and identify additional regulatory changes that would reduce ISM improper payments.³³

³³ Omitting Food from In-Kind Support and Maintenance Calculations, 88 Fed. Reg. 9779, pp. 9779-9796 (February 15, 2023).

Overpayments Caused by Computations

In FY 2022, SSA reported that one of the leading causes of overpayments in the OASDI program was computations. Inaccurate information or administrative mistakes can cause errors in benefit calculations.³⁴ Overpayments related to computations fluctuated greatly from FY 2011 to FY 2021, as shown in Figure 5.

Figure 5: OASDI Computations Overpayment Deficiency Dollars (FYs 2011 Through 2021)³⁵



For FYs 2017 to 2021, the three leading causes of computational deficiencies that resulted in overpayments were: the windfall elimination provision (WEP);³⁶ primary insurance amount computations, and multi-entitlement computations.³⁷ During this period, WEP accounted for approximately \$775 million (44 percent) of the computation overpayments for the OASDI program. In May 2022, we reported SSA was conducting a study to identify OASDI beneficiaries whose benefits were not adjusted for WEP or Government Pension Offset but who have 1 or more years of non-covered earnings from an employer associated with beneficiaries whose benefits are subject to WEP or Government Pension Offset.³⁸ As of March 2023, the results of this study were not available for our review.

³⁴ SSA, *Agency Financial Report Fiscal Year 2022: Payment Integrity*, p. 154 (November 2022).

³⁵ See Footnote 29.

³⁶ WEP can affect how SSA calculates a retirement or disability benefit. If a beneficiary works for an employer that does not withhold Social Security taxes from their salary, any pension they get from that employer can reduce Social Security benefits. SSA, *Windfall Elimination Provision, Publication No. 05-10045* (2023).

³⁷ SSA, *Fiscal Year 2021 Title II Payment Accuracy Report*, p. 9 (August 2022).

³⁸ SSA, OIG, *The Social Security Administration's Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2021, A-15-21-51121*, p. 12 (May 2022).

SSA should continue identifying initiatives that reduce improper payments in the OASDI program that are caused by computation errors and determine whether its existing initiatives are effective in reducing improper payments.

Oversight Assessed by the Office of the Inspector General

We are overseeing the SSI and OASDI programs through various audits. In FY 2022, we issued 46 reports that identified over \$1.3 billion in questioned costs and over \$250 million in federal funds that could be put to better use. In November 2022, we reported SSA faced major challenges in improving the prevention, detection, and recovery of improper payments.³⁹ See Appendix D for our FY 2022 reports related to improving the prevention, detection, and recovery of improper payments.

CONCLUSION

SSA must be a responsible steward of the funds entrusted to its care by minimizing the risk of making improper payments and recovering overpayments when they occur. SSA is responsible for issuing over \$1 trillion in benefit payments annually. Even the slightest error in the overall payment process can result in millions of dollars in improper payments. Preventing improper payments is more advantageous than recovering them since the Agency has to expend additional resources to recover the overpayments or process additional payments to rectify underpayments. While SSA has made progress implementing corrective actions to address improper payments, it still has work to do. As in prior years, we maintain that SSA needs to implement or expand existing corrective actions to address improper payments.

RECOMMENDATION

We recommend SSA conduct a study to expand AFI searches between the SSI initial application and subsequent eligibility redeterminations.

AGENCY COMMENTS

SSA agreed with our recommendation, see Appendix E.

³⁹ SSA, OIG, *Fiscal Year 2022 Inspector General's Statement on the Social Security Administration's Major Management and Performance Challenges*, A-02-21-51120 (November 2022).

OTHER MATTER

In prior reports, we stated SSA should re-evaluate its use of the stewardship reviews to estimate improper payments.⁴⁰ Per SSA, OQR's stewardship reviews use avoidable payment errors to calculate improper payment rates.⁴¹ The errors used to calculate the improper payment rates are attributed to administrative errors when the Agency did not take action or took the improper action. Improper payments are also attributed to the beneficiary/recipient or representative payee not reporting changes timely or accurately.

SSA is establishing a new debt management system. We asked SSA whether it considered using the new system to identify actual improper payments compared to the estimates provided by stewardship reviews. Per SSA,

We do not believe the Debt Management Product should be used to identify ... improper payments compared to the statistically valid estimates that the stewardship reviews provide. During stewardship reviews, [OQR] review[s] each case, interview[s] the beneficiary or representative payee, and redevelop[s] all non-medical factors of eligibility as of the sample month. Because the sample size is statistically valid, OQR is able to then project results for the entire universe for the entire year. In contrast, the Debt Management Product will only capture confirmed overpayments identified by our debt management system and could potentially overlook improper payments that the stewardship review would discover. We consider the stewardship review to be a more accurate measure to quantify improper payments.

Regarding underpayments, [the Debt Management Product] will be able to reduce an OASDI overpayment debt based on any underpayments due. [The Debt Management Product] will apply underpayments to SSI Debts that [are] in a billing or external collection status and not in active pay. [The Debt Management Product] will not handle underpayments if a debt does not exist. For these reasons, we consider the stewardship review the most effective available means to estimate improper payments for the [OASDI] and [SSI] programs.

⁴⁰ SSA, OIG, *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2019 Agency Financial Report*, A-15-19-50842, p. 14 (May 2020).

⁴¹ Per SSA, avoidable payments are those that should be reflected as an erroneous payment because the agency did not take action or took the improper action.

Per SSA, at initial release, the Debt Management Product will not contain functionality to delineate overpayments from those that are unavoidable overpayments,⁴² which are not considered improper payments because statutes, regulations or court orders require the Agency to make these payments. As SSA continues to design and implement this Product, it should consider how it can be designed to support improper payment reporting.



Michelle L. Anderson
Assistant Inspector General for Audit

⁴² Per SSA, unavoidable payments are those resulting from legal or policy requirements. The Agency does not consider these payments to be erroneous.

APPENDICES

Appendix A – AGENCY REPORTING REQUIREMENTS

Office of Management and Budget (OMB) Circular A-136 outlines the information agencies are required to address in their annual *Agency Financial Report* or *Performance and Accountability Reports*. This information includes actions taken to address audit recovery recommendations.¹ OMB guidance defines significant improper payments as either exceeding \$10 million and 1.5 percent of the program's total annual outlays, or exceeding \$100 million, regardless of the associated percentage of the program's total outlays.² For each program and activity identified as at risk for significant improper payments, 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.³

Annual Data Call

Beginning in Fiscal Year (FY) 2020, information previously required by OMB Circular A-136⁴ is reported on the payment accuracy website⁵ through the OMB payment integrity annual data call.⁶ OMB uses the data call information to populate the information posted on paymentaccuracy.gov. The data call instructions require that agencies complete a survey for agency compliance with the *Payment Integrity Information Act of 2019*, fraud, do not pay initiatives, recovery activities/audits, and program-level questions for each program with significant improper payments.

¹ OMB, *Financial Reporting Requirements, Circular A-136 Revised*, section II.4.5 p. 111 (2022).

² OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-21-19*, part II, section (C)(1), p. 19 (2021).

³ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-21-19*, part II, section (B)(2), pp. 17-18 (2021).

⁴ OMB, *Financial Reporting Requirements, Circular A-136 Revised*, section II.4.5 p. 111 (2022).

⁵ *Payment Accuracy*, paymentaccuracy.gov (March 2, 2023).

⁶ OMB Annual Data Call instructions are posted to community.max.gov.

Quarterly Scorecards

Each quarter, high-priority programs must provide information through a mechanism determined by OMB. OMB determined this information would be provided through quarterly surveys and the collected information will be published quarterly in a Payment Integrity Scorecard on paymentaccuracy.gov. This published information will fulfill the High Dollar Overpayment Reporting Requirements⁷ and the High-Priority Program Reporting Requirements.⁸

The quarterly survey questions require that agencies report the following:

- a description of the program;
- the status of each of the program's milestones;
- the expected completion data for each of the milestones;
- the leading root causes of improper payments, the mitigation strategies to develop and address the root cause, and the impact of the mitigation strategies;
- the top two goals for the quarter, the progress of them, and the expected completion date of the goal;
- the top three accomplishments and completion dates; and
- actions taken to recover overpayments.

⁷ Reducing Improper Payments, Executive Order 13520, 74 Fed. Reg. 62,201, p. 62,203 (November 25, 2009).

⁸ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement, M-21-19*, part VII, section (B)(1), p. 56 (2021).

Appendix B – INSPECTOR GENERAL REPORTING RESPONSIBILITIES

Our compliance review for Fiscal Year (FY) 2022 used a combination of requirements in Office of Management and Budget (OMB) Circulars A-123, Appendix C *Requirements for Payment Integrity Improvement*¹ and A-136 *Financial Reporting Requirements*;² OMB Annual Data Call Instructions;³ OMB Quarterly Surveys;⁴ and the Council of the Inspectors General on Integrity and Efficiency's guidance required under the *Payment Integrity Information Act of 2019* (PIIA).⁵

OMB guidance specifies that each agency's Inspector General review improper payment reporting in its annual *Agency Financial Report or Performance and Accountability Report* and accompanying materials⁶ to determine whether it complied with PIIA.⁷

According to OMB, compliance with PIIA means the agency has:

1. published payment integrity information with the annual financial statement;
2. posted the annual financial statement and accompanying materials on the agency Website;
3. conducted an improper payment (IP) risk assessment for each program with annual outlays greater than \$10,000,000 in at least 1 of the last 3 years;
4. adequately concluded whether the program is likely to make IPs and Unknown Payments (UP) above or below the statutory threshold;
5. published IP and UP estimates for programs susceptible to significant IPs and UPs in the accompanying materials to the annual financial statement;
6. published corrective action plans for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;

¹ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, (2021).

² OMB, *Financial Reporting Requirements, Circular A-136 Revised* (2022).

³ OMB Annual Data Call instructions are posted to community.max.gov.

⁴ OMB, *Program Scorecards*, paymentaccuracy.gov (March 2, 2023).

⁵ Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (2022).

⁶ Accompanying materials include information provided by SSA through the annual data calls and quarterly surveys to OMB that is used to populate information on paymentaccuracy.gov, including quarterly program scorecards, annual improper payment datasets and the annual improper payments dashboard.

⁷ *Payment Integrity Information Act of 2019*, 31 U.S.C. §§ 3351-3353.

7. published IP and UP reduction target for each program for which an estimate above the statutory threshold was published in the accompanying materials to the annual financial statement;
8. demonstrated improvements to payment integrity or reached a tolerable IP and UP rate;
9. developed a plan to meet the IP and UP reduction target; and
10. reported an IP and UP estimate of less than 10 percent for each program for which an estimate was published in the accompanying materials to the annual financial statement.

Per OMB, if an agency does not meet one or more of these requirements, it is not compliant with PIIA.⁸

Quarterly Scorecards

Per OMB, the Inspector General shall assess the information provided on the agency's quarterly scorecards published on paymentaccuracy.gov and determine the extent of Inspector General oversight warranted to prevent monetary loss IPs. In addition, based on the information provided on the quarterly scorecards, the Inspector General may provide the agency head with concrete and actionable recommendations for modifying the agency's plans to recover monetary loss IPs as well as any actions the agency intends to take to prevent IPs and UPs from occurring in the future.

⁸ OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, Part VI, section (A), pp. 43-49 (2021).

Appendix C – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed the *Payment Integrity Information Act of 2019* (PIIA);¹ Office of Management and Budget (OMB) Circulars A-123, Appendix C, *Requirements for Payment Integrity Improvement*² and A-136, *Financial Reporting Requirements*;³ OMB Annual Data Call Instructions;⁴ and Council of the Inspectors General on Integrity and Efficiency’s guidance⁵ to ensure compliance with all requirements of PIIA.
- Reviewed the payment integrity section in the Social Security Administration’s (SSA) Fiscal Year (FY) 2022 Agency Financial Report and FY 2022 accompanying materials, which include information SSA provides through quarterly surveys and annual data calls to OMB that is used to populate information on paymentaccuracy.gov. Information on paymentaccuracy.gov includes quarterly program scorecards, annual improper payment datasets and the annual improper payments dashboard.
- Reviewed applicable Federal laws and regulations and SSA’s *Program Operations Manual System*.
- Requested and analyzed source data from SSA’s Office of Budget, Finance, and Management to support material figures and statements in the Agency Financial Report and accompanying materials for accuracy and completeness.
- Reviewed meeting minutes for the Improper Payments Oversight Board and Associate Commissioner Improper Payments Roundtable.
- Reviewed the Improper Payments Prevention Team’s monthly initiatives at a glance and Improper Payment Alignment Strategies in process and/or finalized.

We conducted our audit from October 2022 through March 2023. The primary SSA 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.

¹ *Payment Integrity Information Act of 2019*, 31 U.S.C. 3351 note.

² OMB, *Transmittal of Appendix C to OMB Circular A-123, Requirements for Payment Integrity Improvement*, M-21-19, (2021).

³ OMB, *Financial Reporting Requirements, Circular A-136 Revised* (2022).

⁴ OMB Annual Data Call instructions are posted to community.max.gov.

⁵ Council of the Inspectors General on Integrity and Efficiency, *Guidance for Payment Integrity Information Act Compliance Reviews* (2022).

Based on the information we obtained from SSA and documentation we reviewed, we determined the computerized data we 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 assessed the significance of internal controls necessary to satisfy the audit objectives. This included an assessment of the five internal control components, including control environment, risk assessment, control activities, information and communication, and monitoring. In addition, we reviewed the principles of internal controls as associated with the audit objectives. We identified the following five components and ten principles as significant to the audit objectives.

- Component 1: Control Environment
 - Principle 2: Exercise oversight responsibility
 - Principle 3: Establish structure, responsibility, and authority
- Component 2: Risk Assessment
 - Principle 7: Identify, analyze, and respond to risk
 - Principle 9: Analyze and respond to change
- Component 3: Control Activities
 - Principle 10: Design control activities
- Component 4: Information and Communication
 - Principle 13: Use quality information
 - Principle 14: Communicate internally
 - Principle 15: Communicate externally
- Component 5: Monitoring
 - Principle 16: Perform monitoring activities
 - Principle 17: Remediate deficiencies

Appendix D – FISCAL YEAR 2022 OFFICE OF THE INSPECTOR GENERAL REPORTS

The following Office of the Inspector General reports were related to improving the prevention, detection, and recovery of improper payments.

- *Numident Death Alerts*, [A-06-21-51086](#) (September 2022)
- *Supplemental Security Income Recipients Receiving Social Security Administration Payments in Accounts Outside the United States*, [A-06-22-51153](#) (September 2022)
- *Follow-up on Controls over Special Payment Amount Overpayments for Social Security Beneficiaries*, [A-09-19-50794](#) (September 2022)
- *The Social Security Administration's Challenges and Successes in Obtaining Data to Determine Eligibility and Payment Amounts*, [A-01-21-51029](#) (September 2022)
- *Follow-up on Processing Internal Revenue Service Alerts for Supplemental Security Income Recipients*, [A-03-18-50277](#) (September 2022)
- *Match of Utah Death Information Against Social Security Administration Records*, [A-06-21-51030](#) (September 2022)
- *Lump-sum Death Payments to Survivors of Beneficiaries with No Death Information on the Numident*, [A-06-21-51008](#) (August 2022)
- *Spouses and Widow(er)s Who Have Unverified Pensions*, [A-13-17-50161](#) (August 2022)
- *Incorrect Old-Age, Survivors and Disability Insurance Benefit Payment Computations that Resulted in Overpayments*, [A-07-18-50674](#) (May 2022)
- *Students Whose Benefits Were Erroneously Terminated When They Reached Age 18*, [A-09-19-50823](#) (April 2022)
- *Deceased Beneficiaries in Suspended Payment Status*, [A-08-19-50800](#) (November 2021)

Appendix E – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: April 25, 2023

Refer To: TQA-1

To: Gail S. Ennis
Inspector General

From: Scott Frey 
Chief of Staff

Subject: Office of the Inspector General Draft Report “Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2022” (A-15-22-51183)—INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendation. We are pleased to note that our continued focus on improper payments has resulted in full compliance with all 10 Payment Integrity Information Act criteria.

Please let me know if I can be of further assistance. You may direct staff inquiries to

Trae Sommer at (410) 965-9102.



Mission:

The Social Security Office of the Inspector General (OIG) serves the public through independent oversight of SSA's programs and operations.

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Social Security-related scams and Social Security fraud, waste, abuse, and mismanagement, at oig.ssa.gov/report.

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