SOCIAL SECURITY ADMINISTRATION

OTHER ACCOMPANYING INFORMATION

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

SOCIAL SECURITY

November 6, 2009

The Honorable Michael J. Astrue
Commissioner

Dear Mr. Astrue:

The Reports Consolidation Act of 2000 (RCA) (Pub. L. No. 106-531) requires that Inspectors General provide a summary and assessment of the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. RCA requires that the Social Security Administration (SSA) place the final version of this Statement in its Annual Performance and Accountability Report.

In FY 2009, we continued our focus on the management and performance challenges from previous years. Those challenges are listed below.

- Social Security Number Protection
- Management of the Disability Process
- Improper Payments and Recovery of Overpayments
- Internal Control Environment and Performance Measures
- Systems Security and Critical Infrastructure Protection
- Service Delivery and Electronic Government

As the FY progressed, the environment in which SSA operated, and its corresponding challenges, shifted. For example, SSA issued a new strategic plan that identified its current challenges. In addition, SSA was provided new funding and accountability requirements under the American Recovery and Reinvestment Act of 2009 (ARRA). Accordingly, we reevaluated the top management and performance challenges facing the Agency and developed a new list of eight challenges.

- Implement ARRA Effectively and Efficiently
- Reduce the Hearings Backlog and Prevent its Recurrence
- Improve the Timeliness and Quality of the Disability Process
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Invest in Information Technology Infrastructure to Support Current and Future Workloads
- Strengthen the Integrity and Protection of the Social Security Number
- Improve Transparency and Accountability

Many of the issues highlighted in our previous list of management challenges are addressed in our new list. For example, the disability process, Social Security number protection, improper payments, customer service, and information technology infrastructure are recurring themes. They continue to be on our list since we believe they continue to be challenges for SSA. However, these management challenges have been renamed in a manner we believe better defines the action needed for improved performance in these areas.

Our updated list also includes some new challenges. For example, ARRA created new and critical workloads for the Agency, such as a one-time recovery payment of $250 to SSA beneficiaries. Paying millions of individuals accurately is a challenge on its own. This is compounded by the additional challenge of completing this new task while simultaneously addressing the Agency's many other workloads. Also, the President has emphasized the need for transparency and accountability in the Government. The Administration is developing an Open Government Directive that will instruct executive departments and agencies to take specific actions toward bringing greater openness in Government, and the Agency will need to adhere to the Directive once it is released.

Further, we have highlighted a management challenge related to the hearings backlog. We have discussed this challenge in previous years but as part of the overall disability workload, not as a separate challenge. Given the magnitude of the hearings backlog, and the plans the Agency has put in place to address this workload, we believe it is appropriate to have a separate management challenge.

My office will continue to focus on these issues in FY 2010. We will also continue to assess SSA's operations and the environment in which it operates to ensure our reviews focus on the most salient issues facing the Agency.

I congratulate you on the progress made in FY 2009 in addressing these challenges. I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Patrick P. O'Carroll, Jr.
Inspector General

Fiscal Year 2009 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

A-02-09-19175

November 2009

IMPLEMENT THE *AMERICAN RECOVERY AND REINVESTMENT ACT* EFFECTIVELY AND EFFICIENTLY

On February 17, 2009, President Obama signed into law the American Recovery and Reinvestment Act of 2009 (ARRA) (Pub. L. No. 111-5). The Social Security Administration (SSA) was provided funds under ARRA to address three major efforts.

- $500 million was designated to replace SSA's National Computer Center (NCC).
- $500 million was designated to process disability and retirement workloads, including information technology (IT) acquisitions and research in support of these workloads.
- $90 million was designated to reimburse costs for processing a one-time economic recovery payment (ERP) of $250 to millions of qualified individuals receiving Social Security and Supplemental Security Income (SSI) payments.

In the Office of Management and Budget's (OMB) initial implementing guidance for ARRA (OMB M-09-10), the following requirements were established to meet crucial accountability objectives.

- Funds are awarded and distributed promptly, fairly, and reasonably.
- The recipients and uses of all funds are transparent to the public, and the public benefits of these funds are reported clearly, accurately, and timely.
- Funds are used for authorized purposes, and instances of fraud, waste, error, and abuse are mitigated.
- Projects funded under ARRA avoid unnecessary delays and cost overruns.
- Program goals are achieved, including specific program outcomes and improved results on broader economic indicators.

We believe the replacement of the NCC and having the systems capacity needed to meet its workload are challenges for the Agency. In our May 2009 report*, The Social Security Administration's Ability to Address Future Processing Requirements,* we asked the Agency to focus its efforts related to the new NCC on detailed plans (1) to acquire, construct and operate a new Data Center; (2) to estimate costs for the use and/or disposal of the existing NCC; and (3) for IT requirements for the next 5, 10, and 20 years. Further, SSA should identify the underlying factors that allowed the existing NCC to deteriorate to its current condition and implement the necessary controls to prevent this situation from recurring at the new NCC.

Another challenge faced by SSA was to assist in providing one-time ERPs of $250 to certain adult Old-Age, Survivors and Disability Insurance (OASDI) and SSI recipients. SSA was required to certify which beneficiaries were entitled to the ERPs. SSA had to ensure the beneficiaries met a number of criteria, including that they resided in 1 of the 50 States, the District of Columbia, Puerto Rico, Guam, the U.S. Virgin Islands, American Samoa, or the Northern Mariana Islands. Also, to be eligible for the one-time payments, the beneficiaries had to be eligible for benefits for any of the 3 months before the month of enactment (that is, November 2008, December 2008, and January 2009). If individuals received both OASDI and SSI, they would receive only one $250 payment. In addition, SSA had to process its unique payments, prepare payment files for the Department of the Treasury (Treasury), annotate payments to its program files, and prepare beneficiary notices. Lastly, SSA was responsible for any post-certification actions (for example, non-receipt reports, returned payments, and stop-payment actions) for the ERPs issued to its beneficiaries.

SSA received $90 million to be used for the costs associated with administering the ERPs. One of the challenges identified by SSA was to properly account for the use of the $90 million in ARRA funding to cover the administrative costs involved in identifying, notifying, and issuing the ERPs to eligible individuals.

SSA Has Taken Steps to Address This Challenge

In response to ARRA and OMB Guidance, SSA developed an ARRA Risk Management Plan. The Plan outlined the major challenges and risk mitigation activities facing SSA in implementing the requirements of ARRA. The challenges fell into five major categories: Overall Recovery Act Implementation, One-Time ERP Administrative Expenses, One-Time ERP Payments, Disability and Retirement Workloads, and Replacement of the NCC. The major challenges are further defined by challenges specific to each. For example, SSA has identified the following challenges for replacement of the NCC.

- Ensure proper overall project management.
- Ensure proper site selection, a proper facility, and infrastructure construction oversight.
- Ensure IT investments support SSA's strategic IT vision and plan.
- Ensure the facility complies with the *National Environmental Policy Act*.

SSA has developed risk mitigation activities to address each of the identified challenges and has begun to implement them.

SSA has made considerable progress toward meeting its challenge of administering the ERPs mandated under ARRA. It facilitated the issuance of ERPs to more than 50 million eligible individuals in May 2009, which injected about $13 billion into the economy. SSA certified these payments to facilitate Treasury's disbursement within 120 days after the legislation was enacted on February 17, 2009. We found SSA had taken significant actions to properly identify eligible beneficiaries and develop the necessary systems and policy changes to ensure payments were disbursed in accordance with ARRA. In addition, SSA's planned controls and procedures should have reduced the significant risk of improper payments or fraud, waste, and abuse.

On May 7, 2009, Treasury began disbursing the economic recovery payments to eligible beneficiaries—about 5 weeks before the statutory deadline. Before this, SSA completed a number of actions, including (1) sending notices to about 52.2 million eligible beneficiaries; (2) adding a Webpage on its Internet site containing a video about the payment and 34 frequently asked questions; and (3) developing a new national 800-number network message that explained the ERP to callers. However, we identified a number of matters SSA needed to address related to the ERPs. For example, SSA's system to identify, select, and certify the ERPs to Treasury and its related policies and procedures to administer these payments had not been fully developed, tested, or documented when SSA began disbursing ERPs. Also, while SSA took many steps related to the disbursement of ERPs, a small number of the payments were sent erroneously to deceased and imprisoned individuals.

In reference to SSA's challenge to properly account for the $90 million provided to administer the one-time ERP, we found SSA implemented a comprehensive process to identify and report costs incurred to administer the ERPs. We believe SSA sufficiently addressed OMB's requirements, which allowed for transparency and accountability in the use of ARRA administrative funds and provided SSA the ability to identify and track the expenditures separately from its regular appropriations. SSA also timely submitted required weekly reports summarizing administrative costs it incurred.

REDUCE THE HEARINGS BACKLOG AND PREVENT ITS RECURRENCE

At the forefront of congressional and Agency concern is the timeliness of SSA's disability decisions at the hearings adjudicative level. The average processing time at the hearings level continues to increase—from 293 days at the end of Fiscal Year (FY) 2001 to 491 days at the end of FY 2009. Additionally, the pending hearings workload grew to 722,822 cases by the end of 2009—up from 392,387 cases at the end of FY 2001.

The first strategic goal in SSA's Strategic Plan for FYs 2008-2013 is to reduce the number of pending hearings to 466,000 by FY 2013, a level that will ensure a sufficient number of cases is available for hearings while reducing the average processing time to 270 days. While the number of hearings pending has grown greatly over this decade, it decreased in FY 2009 from approximately 761,000 at the beginning of the FY to almost 723,000 by the end of the FY.

While eliminating the hearings backlog was SSA's primary focus in FY 2009, it became more difficult with an increase in hearing requests. In FY 2009, SSA received over 622,000 hearing requests—an increase of over 33,000 requests from FY 2008. According to the Agency, this is the highest annual total SSA has ever received. ARRA provided SSA $500 million to process increasing retirement and disability workloads. The Office of Disability Adjudication and Review (ODAR) was allocated a portion of the ARRA funds to hire additional staff in FYs 2009 and 2010.

Our July 2009 review, Office of Disability Adjudication and Review Management Information, determined that if SSA follows its current administrative law judge (ALJ) hiring plan and the current average ALJ productivity level remains constant, ODAR's pending level should fall below the desired pending level by FY 2013. However, we completed this report before SSA estimated it could receive an additional 350,000 disability applications in FY 2010. Since a number of these applications will be denied and eventually appealed, the Agency will need to adjust its backlog reduction plans to ensure it accounts for this increase in workload.

SSA Has Taken Steps to Address This Challenge

Since May 2007, SSA has been implementing a plan to eliminate the backlog of hearing requests and prevent its recurrence. The plan includes initiatives for (1) compassionate allowances, (2) improving hearing office procedures, (3) increasing adjudicatory capacity, and (4) increasing efficiency with automation and improved business processes.

Compassionate Allowances - The compassionate allowances initiative, implemented nationwide in October 2008, seeks to identify cases where a disease or condition is so consistently devastating that SSA can presume a claimant is disabled once a valid diagnosis is confirmed. SSA launched the expedited decision process covering 50 rare diseases and cancers.

Improve Hearing Office Procedures - Reducing aged cases is one of the two initiatives SSA has in place to improve hearing office procedures, the second being adjudication of cases by Senior Attorneys. Under the aged claim initiative, SSA focused on eliminating cases 1,000 days or older in FY 2007, cases 900 days or older in FY 2008, and cases 850 days or older in FY 2009. This initiative has refocused the hearings process on ensuring the oldest cases are processed first. At the end of FY 2009, less than 1 percent of hearings pending was 850 days or older. Under the Senior Attorney program, staff other than ALJs issue fully favorable on-the-record decisions to expedite the decision and conserve ALJ resources for the more complex cases and cases that require a hearing. In FY 2009, SSA reported the Senior Attorneys issued 36,366 decisions.

Our September 2009 review of Aged Claims at the Hearing Level found ODAR's aged claim initiative had successfully targeted the oldest pending claims and focused hearing offices' efforts on this workload. Moreover, the related initiatives, including realignment of service areas, case transfers, video hearings, and the National Hearing Centers, assisted ODAR in processing the aged case backlog. We also noted that the aged cases had built up over time because of (1) a lack of resources, (2) conflicting workload priorities, and (3) lost or time-consuming claims.

Overall, we found sustained leadership and focus, clear workload milestones, flexibility in moving workloads between offices, and use of management information reports has allowed ODAR to reduce aged claims and return to its earlier policy of hearing the oldest claims first.

Increase Adjudicatory Capacity - SSA has six initiatives aimed at increasing adjudicatory capacity. One initiative is hiring new ALJs. In FY 2009, $30 million in ARRA funds was allocated to ODAR. This, in addition to the increased FY 2009 SSA appropriation, allowed SSA to hire 148 ALJs and 1,009 support staff in hearing offices in FY 2009 as well as fund additional overtime. We have ongoing work in this area.

Increase Efficiency with Automation and Improved Business Process - SSA has 27 initiatives related to automation and business processes. One initiative was an electronic file assembly process called ePulling. This initiative involved the development of customized software to identify, classify, and sort page-level data; reorganize the images after classification; and identify duplicates. Another initiative is expanding the use of video equipment at hearings to increase ALJ productivity and decrease ALJ travel. This video initiative includes a new Representative Video Project, which will allow claimant representatives to use their equipment to participate in hearings from their own offices.

Our June 2009 evaluation of Electronic File Assembly reviewed the ePulling initiative and found ODAR was facing challenges with the accuracy of the ePulling software, which in turn was increasing case preparation times. In addition, we found ODAR needed to establish a sufficient assessment methodology for measuring ePulling's impact on the hearings process since such a methodology was critical to future decisions on expanding the use of ePulling to other hearing offices. One of our recommendations was for SSA to perform a complete assessment of the ePulling project results before expanding the use of the process in other hearing offices. SSA agreed with our recommendation, noting that both the Agency and the vendor had made numerous software enhancements that would be assessed in terms of their effect on productivity before a decision was made to expand the project. In August 2009, ODAR management decided to discontinue the ePulling initiative.

IMPROVE THE TIMELINESS AND QUALITY OF THE DISABILITY PROCESS

SSA is facing a considerable increase in initial claims receipts because of the declining economy. At the end of FY 2008, initial claims pending at disability determination services (DDS) were around 550,000. However, in FY 2009, initial receipts were approximately 13 percent higher than the previous year. As a result, initial claims pending grew to about 780,000 cases at the end of FY 2009. SSA expects 350,000 more initial disability claims than first projected for FY 2010 and estimates that the pending level could reach over 1 million by FY 2010. SSA also estimates that initial claims will continue to increase and remain at historically high levels for the next several years.

Along with increased receipts, some DDSs are facing high attrition rates as well as challenges in hiring due to State hiring freezes and furloughs, all of which impact SSA's ability to process the disability workload. Eleven States implemented furloughs involving DDS employees in FY 2009, and nine states had various restrictions on hiring. Prior Inspector General work in this area showed that the California DDS will encounter a reduced capacity of 10 percent due to furlough days. As a result, the processing of approximately 2,375 disability cases per month would be delayed.

SSA is also facing a large backlog of full medical continuing disability reviews (CDR). Between FYs 2004 and 2008, the number of full medical CDRs conducted by SSA decreased by approximately 65 percent. At the end of FY 2009, SSA had a backlog of approximately 1.4 million CDRs that were due but were not released to the DDSs for processing, and this number is estimated to increase in FY 2010. The backlog of CDRs means that beneficiaries who no longer qualify for disability are receiving payments improperly resulting in the Disability Insurance Trust Fund and General Fund losing billions of dollars.

SSA Has Taken Steps to Address This Challenge

SSA is developing a multi-year plan to address the increase in initial disability claims and reduce the initial claims backlog to an optimum level. The multi-year plan provides for

- increased adjudicatory capacity in the DDSs and Federal processing components;
- improved efficiency through automation;
- expedited IT investments to optimize systems performance;
- expanded use of screening tools to assist in identifying likely allowances; and
- refined policies and business processes to expedite case processing.

To increase adjudicatory capacity, SSA hired approximately 2,600 DDS employees in FY 2009. SSA is also looking at alternatives for increasing DDS support staff, including medical consultants who provide expert advice on disability claims. In addition to DDS hiring, SSA funded DDS overtime with both its FY 2009 appropriation and ARRA funds. SSA has also approved Extended Service Teams in Arkansas, Oklahoma, Mississippi, and Virginia to assist other states in processing disability claim receipts. In addition, SSA is increasing staffing levels in its Federal components to provide support to DDSs that are most adversely impacted by the increase in receipts.

As part of this multi-year plan, SSA is refining and expanding the Quick Disability Determinations (QDD) and compassionate allowance processes to better identify and fast-track disability claims that are most likely allowances. SSA's QDD process and compassionate allowances initiative have provided some claimants more timely disability decisions and freed up some resources to process the increased number of disability claims. Prior Inspector General work in this area has shown that QDD was working as intended with medical determinations for these disability claims being made generally within the recommended 20-day time frame.

We will also continue to work with SSA to address the integrity of the disability programs through the Cooperative Disability Investigations (CDI) program. The CDI program's mission is to obtain evidence that can resolve questions of fraud in SSA's disability claims. The CDI program is managed in a cooperative effort between SSA's Offices of Operations, Inspector General, and Disability Programs. Since the program's inception in FY 1998 through FY 2009, the 20 CDI units, operating in 18 States, have been responsible for over $1.3 billion in projected savings to SSA's disability programs and over $816.4 million in projected savings to non-SSA programs.

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

Workers, employers, and taxpayers who fund the SSA and SSI programs deserve to have their tax dollars effectively managed. As a result, SSA must be a responsible steward of the funds entrusted to its care and minimize the risk of making improper payments. SSA strives to balance its service commitments to the public with its stewardship responsibilities. However, given the size and complexity of the programs the Agency administers, some payment errors will occur.

SSA is responsible for issuing timely benefit payments for complex entitlement programs to about 60 million people. Over the years, SSA has reported high payment accuracy rates. For example, in FY 2008, SSA reported that 99.7 percent of OASDI payments was free of overpayment error, and 99.9 percent was free from underpayment error. Also that year, SSA reported that 89.7 percent of SSI payments was free from overpayment error and 98.3 percent was free from underpayment error. Given the large overall dollars involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments. For example, for the 5-year period FYs 2004 to 2008:

- SSA paid $204.5 billion to SSI recipients. Of that total, $16.6 billion was overpaid, representing 8.1 percent of outlays. Underpayments during this same 5-year period totaled $3.4 billion or the equivalent of 1.7 percent of outlays.
- SSA paid about $2.3 trillion to Old-Age and Survivors Insurance (OASI) beneficiaries. Of that total, $3.7 billion was projected to be overpaid, representing 0.16 percent of outlays. Underpayments during this same 5-year period were projected to be $2.2 billion or the equivalent of 0.10 percent of outlays.
- SSA paid over $454.8 billion to Disability Insurance (DI) beneficiaries. Of that total, $6.3 billion was overpaid, representing 1.4 percent of outlays. Underpayments during this same 5-year period totaled $1.8 billion, the equivalent of 0.4 percent of outlays.

Additionally, in FY 2008, it took SSA an average of 34 months to recover or waive overpayments in the SSI program, 18 months for the OASI program, and 42 months for the DI program.

A January 2009 OMB report, Improving the Accuracy and Integrity of Federal Payments, noted that 12 Federal programs—including SSA's OASDI and SSI programs—accounted for about 90 percent of the improper payments in FY 2008.

The reduction of improper payments is one of SSA's key strategic objectives. Further, Congress passed the Improper Payments Information Act of 2002 (Pub. L. No. 107-300), and OMB issued guidance (OMB M-06-23) clarifying the definition of an improper payment and its authority to require that agencies track programs with low error rates (that is, less than 2.5 percent), but significant improper payment amounts.

We issued a report in April 2006, Overpayments in the Social Security Administration's Disability Programs, where we estimated that SSA had not detected about $3.2 billion in overpayments and paid about $2.1 billion in benefits annually to potentially ineligible beneficiaries. Although SSA tries to achieve a balance between stewardship and service, it is a challenge because of the funding needed for the Agency to conduct an adequate number of medical and work-related CDRs. Although the Agency had special funding for CDRs in FYs 1996 through 2002 and SSA's data show that CDRs save about $10 for every $1 spent to conduct them, the Agency has cut back on this workload over the past several years. We are completing work that will determine the financial impact of SSA conducting fewer full medical CDRs.

Similarly, the number of SSI redeterminations conducted by SSA has substantially decreased although the number of SSI recipients has increased. A redetermination is a review of a recipient's non-medical eligibility factors, such as income, resources, and living arrangements. No individual shall be considered eligible for SSI payments for any period during which they have income or resources that exceed the allowable amounts established under the Social Security Act. Between FYs 2003 and 2009, redeterminations decreased by more than 40 percent. We estimated in a July 2009 report, Supplemental Security Income Redeterminations, that SSA could have saved an additional $3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.

SSA Has Taken Steps to Address This Challenge

SSA has identified the major causes of improper payments and has taken steps to address them. For example, one of the major causes of improper payments in the OASDI program is errors attributed to computations. SSA developed automated tools to address the more troublesome computation issues, which include calculations involving the Windfall Elimination Provision. As another example, SSA completed a feasibility test and had begun to roll-out large-scale monthly wage reporting using touch-tone and voice recognition telephone technology. This addresses one of the major causes of improper payments in the SSI program, which is the failure of a recipient or representative payee to provide accurate and timely reports of new or increased wages. SSA has taken additional steps to address another leading cause of improper payments in the SSI program. SSA has used the Access to Financial Institutions process in New York, New Jersey and California since FY 2007 to reduce SSI payment errors by identifying undisclosed financial accounts with balances that place recipients over the SSI resource limit. SSA hopes to expand the use of this process in FY 2010 if additional funding is available.

SSA uses a variety of methods to collect the debt related to overpayments. Collection techniques include internal methods, such as benefit withholding and billing and follow-up. In addition, SSA uses external collection techniques authorized by the Debt Collection Improvement Act of 1996 (Pub L. No. 104-134) for OASDI debts and the Foster Care Independence Act of 1999 (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal Salary Offset.

SSA has also worked to improve its ability to prevent over- and underpayments by implementing our audit recommendations. For example, in March 2008, we issued a report, Follow-up on the Impact on the Social Security Administration’s Programs When Auxiliary Beneficiaries Do Not Have Their Own Social Security Numbers, which identified $7.6 million in overpayments to auxiliary beneficiaries because SSA's records did not have their SSNs on its payment records. As a result, the Agency's data matching efforts did not detect that these individuals were incorrectly paid. When we issued the report, SSA had already recovered $3.1 million (41 percent) of the improper payments.

We also issued a report in April 2009, Follow-Up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File, where we estimated that approximately $3.1 billion was overpaid to about 173,000 disabled beneficiaries because of work activity. Although the Agency identified about $1.8 billion of these overpayments to approximately 141,000 beneficiaries, we estimated about $1.3 billion in overpayments to approximately 49,000 beneficiaries went undetected by SSA. As of March 2009, the Agency had successfully recovered about $615 million of the approximately $3.1 billion overpaid because of work activity. Furthermore, we estimated about 24,000 of the 49,000 beneficiaries were no longer entitled to disability benefits because of work activity. Finally, we estimated SSA would continue to incorrectly pay about $382 million annually to individuals no longer entitled to disability benefits if it does not take action.

IMPROVE CUSTOMER SERVICE

SSA acknowledges it is at a critical moment concerning its ability to fulfill its mission of delivering quality customer service to the public. SSA is challenged by many factors, including shifting demographics, growing workloads, changing customer expectations, and an aging workforce. Because of the recent economic downturn and the leading edge of baby boomer retirements, SSA is receiving increasing numbers of retirement and disability claims. SSA is also finding that the public expects it to provide services in new ways made possible by technology.

The increasing workloads and loss of expertise due to the retirement of its employees, will strain SSA's ability to deliver the quality service the public expects. SSA's projected retirement of its employees presents a significant challenge to its customer service capability. SSA estimates that 53 percent of its employees, including 70 percent of its supervisors, will be eligible to retire by 2017. This loss of institutional knowledge may adversely affect SSA's ability to deliver quality service to the public. Over the last few years, the public has dealt with longer waits in local field offices and has faced increased telephone busy rates.

Providing oversight to ensure representative payees properly manage Social Security benefits of vulnerable beneficiaries is a critical customer service performed by SSA. SSA appoints a representative payee who receives and manages the benefit payments for beneficiaries who are not able to manage or direct the management of their finances because of their youth or mental or physical impairment. Our reviews continue to identify problems with SSA's Representative Payment program. Specifically, we found (1) SSA needs to improve its controls to prevent fugitive felons from serving as representative payees; (2) SSA should use certain characteristics to identify representative payees who have an increased risk of benefit misuse; (3) SSA staff could bypass systems controls and establish direct payments for concurrently entitled beneficiaries who had representative payees; and (4) specific individual and organizational representative payees had not complied with SSA's policies and procedures.

SSA Has Taken Steps to Address This Challenge

One of the Agency's priorities in addressing its customer service challenges is to increase the use of technology to improve the speed, accuracy, and efficiency of operations as well as provide the public with more service choices. For example, the Agency released a new Internet application, iClaim, to simplify and shorten the on-line filing process and eliminate field office visits. In addition, SSA developed an Internet-based tool that will provide claims status online, which the Agency believes will reduce the 2 million calls received annually requesting case status. In January 2009, SSA launched its Retire Online public service announcement campaign to promote SSA's new online application for retirement benefits. Patty Duke has volunteered to serve as a spokesperson to encourage the baby boomer generation to file for retirement benefits online.

SSA has seen considerable growth in the public's use of electronic services. For example, the use of the Retirement Estimator, which allows SSA's customers to obtain an immediate and personalized estimate of their Social Security retirement benefits, has tripled from about 687,000 to 2.1 million, and on-line retirement applications have increased by approximately 54 percent since FY 2008.

To address its human capital challenges, SSA has implemented various strategies, such as hiring thousands of new employees, conducting leadership development programs, providing ongoing refresher training to managers and employees, and implementing a national coaching program. Additionally, the Agency reported it is using kiosks and personal computers in SSA field offices to provide modern, fast, and user-friendly service. Further, the Agency merged, expanded, realigned, and established new components within the Agency. For example, a new office was established to assess and improve notices issued to the public, which is the most common form of service delivery, totaling 350 million notices, annually.

For its representative payee program, SSA has studies underway to identify indicators of representative payee misuse. It also developed a new representative payee system, implemented a policy change to require management approval when selecting representative payees with a prior history of misuse, and developed an on-line representative payee accounting for benefits. Additionally, SSA reported it performed reviews of problem representative payees and corrected representative payee information in the Agency's records. Further, SSA reported it plans to change its current computer matching process to ensure fugitive felon alerts are generated and resolved, which should help prevent them from serving as representative payees.

INVEST IN INFORMATION TECHNOLOGY INFRASTRUCTURE TO SUPPORT CURRENT AND FUTURE WORKLOADS

SSA will not be able to manage its current workloads and those projected for the future without the proper IT infrastructure. SSA has less than 75 percent of the employees it had 25 years ago, despite core workloads increasing by 50 percent and new workloads being added. The Agency uses a variety of technologies, including telephone service, the Internet, and videoconferencing to deliver service to its customers. However, the Social Security Advisory Board and others have concerns regarding SSA's physical infrastructure, backup and recovery, processing systems, and telephone service. Another issue of concern is the level of security SSA has over its IT systems and the sensitive data they store.

Physical Infrastructure and Backup and Recovery - SSA is confronted with two critical issues: the vulnerability of its main computer data processing facility—the NCC—and its backup and recovery capability. SSA received over $500 million from ARRA to replace the NCC. The NCC vulnerability stems from the fact that, while its computing capacity has been expanded over its 30 years of operations, increasing workloads and expanding telecommunication services have severely strained its ability to support the Agency's business. SSA estimates that by 2012, as a stand-alone data center, the NCC will no longer be able to support this expanding workload. Additionally, as noted in an April 2009 Social Security Advisory Board report, significant structural problems and electrical capacity issues have developed that make construction of a new primary computer center imperative. However, the Agency has projected that an NCC replacement will not be brought online before 2015. Finally, current disaster recovery plans use a private company's backup and recovery facilities at an off-site location that allows for the recovery of only 25 to 30 percent of the Agency's production capacity.

Processing Systems are Overburdened - A significant part of the problem with SSA's processing systems is the consequence of a piecemeal approach to systems planning and development. Most software applications have been developed in vertical stovepipes, usually to address a particular program need, which has resulted in the primary claims processing systems not being integrated. The system designed to process OASDI claims is separate from the system used to process SSI claims, most of which are claims for disability benefits. As a result, the Agency's front-line employees have to process case information through an assortment of disjointed tools that sometimes look different from one another, and more significantly, may not propagate data across systems. As a result, identifying information, employment data, contact addresses, etc. may have to be entered as many as three or four times when an individual is applying for disability and SSI.

Modernization of the Agency's processing systems is constrained by an underlying problem. The foundation of SSA's IT infrastructure is an outdated database management system, called the Master Data Access Method (MADAM), which was developed in-house in the 1980s. Continued reliance on MADAM exposes the Agency to significant risks, including delays in its ability to improve its systems functionality.

Inadequate Telephone Service - One of the original goals of the national 800-number was to free staff time in local offices to handle more complex issues. In FY 2009, over 82 million calls were placed to, and 60 million transactions were handled by, the national 800-number. Callers had to wait over 4 minutes for their calls to be answered and experienced a busy rate around 8 percent of the time. The volume of transactions handled by the 800-number is estimated to increase to 64 million by 2010. Without new and faster tools to answer and resolve caller inquiries, wait times and busy rates are likely to climb.

Systems Security - SSA's information security challenge is to understand and mitigate system vulnerabilities. Weaknesses in controls over physical and logical access to its electronic information, technical security configuration standards, suitability and continuity of systems operations have been identified. For example, the Agency's control over access to its information was identified as a significant deficiency in FY 2009. While many of these weaknesses have been resolved, SSA needs to monitor these issues diligently to ensure they do not recur. This means ensuring the security of its critical information infrastructure and sensitive data.

SSA Has Taken Steps to Address This Challenge

Physical Infrastructure and Backup and Recovery - To address the existing NCC's capacity issues and the need for a more comprehensive recovery capability, SSA began production at a second processing center, the Durham Support Center, in May 2009. This facility is a co-processing center. Routine operations are now divided between the Durham Support Center and the current NCC. Within 2 years, each facility will continually back up data from the other. This will improve operational capacity and data security for a period of time. The Durham Support Center will also assist SSA with its workloads while the new NCC is being designed and constructed. SSA has also initiated the Accelerated Disaster Recovery Exercise project, which will result in the execution of a disaster recovery exercise at the Durham Support Center in FY 2010.

Processing Systems and Databases - SSA's strategy is to move toward seamless and integrated processing by replacing all external and internal applications over the next 10 years. Seamless and integrated processing would result in users having one entry point for all applications without requiring that they go back and forth between systems to process multiple applications and forms. SSA's data input and collection process would also have a standard look and collection point.

SSA also initiated a Self-Help electronic services pilot to assist with the increase in retirement and disability claims SSA is experiencing in its field offices. SSA's Self-Help process provides computers that field office visitors can use to apply for retirement and disability benefits, request benefit verification, perform a change of address, appeal a disability decision, and more.

Furthermore, it is crucial for SSA to ensure availability and performance of its program databases. The Agency's databases maintain demographic, earnings, and benefit information on almost every American, which is critical in determining issues of eligibility and benefit payment amount. SSA is converting its major program databases from MADAM to an industry-standard, modern database management system to ensure continuity of operations and provide more functionality and flexibility for future workloads. This conversion involves changes to the current database structure. These enhancements will take several years to complete.

Telephone Service - SSA is addressing the need to improve its telephone operations. In March 2008, it awarded a $300 million contract to build a Voice over Internet Protocol (VoIP) telephone system for about 1,600 field offices. VoIP will allow SSA to fully integrate its telephone system and data network. Thus, VoIP will provide faster call routing to any geographic location, the ability for calls to follow the users between locations across the network, and quicker access to caller information.

Additionally, SSA is working to award the Citizen Access Routing Enterprise 2020 contract, which will replace the expiring National 800 Number Network and Call Center Network Solution contracts. The Citizen Access Routing Enterprise 2020 contract will result in a single contract to provide Interactive Voice Recognition automation and call center agent services via SSA's National Toll Free Number.

Systems Security - SSA has addressed systems security in a variety of ways. For example, it created a Critical Infrastructure Protection work group to address compliance with various directives, such as the Homeland Security Presidential Directives and the Federal Information Security Management Act of 2002. Additionally, SSA placed guidance on its Intranet site on how to properly protect personally identifiable information. Lastly, SSA is in the process of acquiring a second, fully functional, co-processing data center to minimize the risks associated with having a single, national computing facility.

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

In FY 2009, SSA issued approximately 18 million Social Security number (SSN) cards and received approximately $668 billion in employment taxes related to earnings under assigned SSNs. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits due them.

Since its inception, SSN collection and use has significantly increased nationwide. These unique nine-digit numbers have become commonly used identifiers and, as such, valuable as illegal commodities. Over the last decade, SSA made significant strides strengthening controls in the enumeration process. Additionally, SSA has worked to better protect SSNs in its records. However, once an SSN is assigned, SSA has little control over the collection, use, and disclosure of these numbers by external entities. For example, while the vast majority of wage reports received from employers are accurate, SSA has had limited success correcting and posting wage reports with erroneous employee names or SSNs. To better protect these important numbers and assist SSA in improving the accuracy of its earnings records, we believe Congress and the Agency should continue seeking measures to limit the collection, use, and disclosure of SSNs—in addition to other measures discussed below.

We commend the Agency for the numerous improvements in its enumeration process. Nevertheless, we continue to have concerns regarding SSN assignment and protection. For example, the Agency has no authority to curb the unnecessary collection and use of SSNs. Our audit and investigative work has taught us that the more SSNs are unnecessarily used, the higher the probability they could be used to commit crimes throughout society. We are also concerned that some noncitizens who are authorized to work by the Department of Homeland Security (DHS), but will only be in the United States for a few months, are permitted to obtain SSNs that are valid for life.

We also remain concerned with SSA's plans to expand the Enumeration at Entry process to other classes of noncitizens until it implements significant improvements we recommended in two audit reports issued in 2005 and 2008, respectively. For example, to prevent the issuance of multiple SSNs to noncitizens who apply through both Enumeration at Entry and at an SSA field office, we recommended that SSA implement systems changes to propagate alien registration numbers to the Numidents of all immigrant applicants. Once propagated, we encouraged SSA to enhance system edits to include a search on these numbers rather than through its current methods, which have not always prevented and/or identified multiple SSNs assigned to the same individual. According to SSA, in 2010, the Agency will devote resources to modify its "enumeration scoring routines" to include a check of the alien registration number. We are encouraged by these plans, but believe SSA should defer expansion of Enumeration at Entry until these system changes are implemented.

Finally, SSA is devoting resources to develop an on-line system for issuing replacement Social Security cards. While we support the Agency's decision to offer more services on-line to enhance customer service, we are concerned about the potential for unscrupulous individuals to manipulate such a system. As such, we encourage the Agency to proceed carefully with this initiative and support its decision not to pursue this initiative until proper authentication controls are in place.

Maintaining the integrity of the SSN and Social Security programs also involves properly posting earnings reported under SSNs. Accurate earnings records are used to determine both the eligibility for Social Security benefits and the amount of those benefits. SSA spends scarce resources correcting earnings data when incorrect information is reported. The Earnings Suspense File (ESF) is the Agency's record of annual wage reports for wage earners whose names and SSNs cannot be matched to SSA's records. As of October 2009, the ESF had accumulated approximately 296 million wage items for Calendar Years (CY) 1937 through 2007, representing about $836 billion in wages. Our review of ESF data compared to the total wages reported by employers showed the ESF continued to grow in both real and relative terms from CY 1999 through CY 2006. In CY 1999, the ESF represented about 3.4 percent of total reported wage items and grew to 4.3 percent by CY 2006.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse (the use of an SSN by someone other than the SSN holder for work purposes), identifying and resolving employer reporting problems, encouraging greater use of the Agency's employee verification programs, and enhancing the employee verification feedback to provide employers with additional information on potential employee issues. For example, SSA should ensure that feedback provided to employers using its Employee Verification Service and Social Security Number Verification Service (SSNVS) programs is consistent in terms of name/SSN matches and death indicator responses. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates.

SSA Has Taken Steps to Address This Challenge

SSA has implemented numerous improvements in its enumeration process. We acknowledge that with these new procedures/requirements, the enumeration workload has increased in complexity for SSA personnel and resulted in some difficulties or delays for SSN applicants. Despite these challenges, we believe SSA's improved procedures have reduced its risk of improperly assigning these important numbers. Some of SSA's more notable enumeration improvements include (1) verifying the authenticity of most immigration and birth records submitted with original SSN applications; (2) establishing the Enumeration at Birth and Entry programs, both of which reduce SSA's reliance on documents that could be counterfeited; (3) opening a number of Social Security Card Centers that focus exclusively on assigning SSNs and issuing SSN cards; and (4) improving its enumeration systems, which assist employees in complying with SSN assignment regulations and policies.

SSA has also taken steps to reduce the size and growth of the ESF. The Agency has issued annual Social Security Statements, increased its electronic wage reporting, expanded the use of its verification program SSNVS, and continued to support DHS in administering the E-Verify program.

Issued Annual Social Security Statements - The Agency issues annual Social Security Statements to individuals so they can review their earnings records for accuracy and completeness. SSA mails the Statements to all workers age 25 and older who are not yet receiving Social Security benefits. In FY 2009, SSA issued about 151 million Social Security Statements.

Increased Electronic Wage Reporting - SSA has been working to eliminate paper wage reports while migrating to an electronic earnings record process because paper wage reports are more error-prone, labor intensive, and expensive to process. SSA encourages employers to use Business Services Online to file Wage and Tax Statements (Forms W-2) for their employees electronically. From January through September 2009, SSA processed over 197 million Form W-2s electronically.

Expanded Use of SSNVS - SSA has been working with the business community to encourage additional employers to use SSNVS. SSNVS allows employers to determine, almost instantaneously, if an employee's reported name and SSN match SSA's records. Increased use of SSNVS helps minimize fraud and improves the accuracy of individuals' earnings records. For FY 2009, SSNVS processed about 99.2 million verifications for approximately 40,000 registered employers.

Collaborated with DHS - SSA has continued to support E-Verify, a DHS program that allows employers to electronically verify whether newly hired employees are authorized to work in the U.S. under immigration law. With SSA's assistance, DHS has made program improvements. For example, in September 2007, E-Verify's Photo Screening Tool was implemented, which allows employers to check the photograph on his or her new hire's Employment Authorization Document or Permanent Resident Card against the 15 million images stored in DHS immigration databases. Further, the Photo Screening Tool helps employers identify instances of identity theft in the employment eligibility process. In addition, in February 2009, DHS began incorporating passport data into E-Verify to help verify citizenship status information in the event of a mismatch with SSA for citizens who present a U.S. passport during the *Employment Eligibility Verification* (Form I-9) process.

IMPROVE TRANSPARENCY AND ACCOUNTABILITY

In a January 21, 2009 memorandum to the heads of Executive Departments and Agencies, the President noted that Government should be transparent since it promotes accountability and provides information for citizens about what their Government is doing. Transparency is characterized by visibility or accessibility of information. Accountability is an obligation to accept responsibility for one's actions.

Transparency - While information on SSA programs and performance is available publicly, improvements can be made to increase the level of transparency. SSA has developed Strategic Plans, Annual Performance Plans (APP), and Performance and Accountability Reports that provide the public information on the Agency's mission, strategic priorities, and operational performance. While these Plans and Reports are accessible on SSA's Website, they can be improved. SSA's APP contains some performance measures that are unclear and do not provide a meaningful assessment of SSA's performance. For example, the performance measure "Update the medical *Listing of Impairments*" does not provide an understanding of the purpose of updating the listing or why it is important for the Agency to do so. As another example, SSA has the performance measure, "Process the budgeted number of Supplemental Security Income non-disability redeterminations." This output-based performance measure does not provide an understanding of the impact or goal of redeterminations. It is difficult to determine the value of redeterminations by just knowing how many SSA plans to complete.

As another example, SSA's various performance measures of the disability claims process do not provide a meaningful assessment of the waiting time involved from a claimants' perspective. The Agency lacks a performance measure that details the cumulative time a claimant waits through the entire disability process. SSA only measures different portions of the process a claimant may experience. For example, SSA has a performance measure, "Achieve the budgeted goal for average processing time for hearings," with a goal of 516 days in FY 2009. While 516 days seems like a long time to wait for a decision after a request for a hearing, the time it would take a claimant to get from the initial application for disability benefits to the time a request for a hearing is disposed of is actually much longer. When a claimant's request for a hearing is disposed of, he or she has already waited through the time it took for the initial decision to be made by a DDS and a reconsideration by the DDS of its initial decision. When these parts of the process are added cumulatively, as the claimant experiences the process, a claimant may wait 811 days, or 2.2 years, from the initial application to receipt of a decision. The actual time an applicant spends waiting for a decision at the hearing stage is far greater than the 516-day goal suggested by SSA.

SSA's public planning documents also lack meaningful performance measures that address its efforts to improve its outmoded and inefficient IT infrastructure. For example, while SSA's Strategic Plan states that all the Agency's plans depend on a strong 21st century data center to replace the aged NCC, neither the Strategic Plan nor the APP contains a corresponding performance measure to help the public track SSA's progress in constructing a new data center. Similarly, SSA states in its Strategic Plan that its IT infrastructure is resting on a foundation of aging computer programs, which will make it difficult to implement new business processes and service delivery models unless it makes necessary updates now. While SSA identifies this as a critical workload to provide the service models needed to meet an increasing demand, it does not have a performance measure that tracks its progress in updating its computer programs.

Accountability - Sound internal controls help ensure the Agency is accountable to its mission and relevant laws, regulations, and policies. Internal control comprises the plans, methods and procedures used to meet missions, goals and objectives. OMB Circular A-123, *Management's Responsibility for Internal Control*, requires that SSA develop and implement cost-effective internal controls for results-oriented management.

In the most recent audit of SSA's financial statements, the Office of the Inspector General noted a significant deficiency within SSA's internal controls. SSA management was unable to consistently provide documented evidence that security accesses were reviewed by management to determine that the system datasets, transactions, and resources for mainframe hosted applications, including financially significant systems and related tools, were in-line with the concept of least privilege. To more fully protect SSA from risks associated with the loss of data, loss of other resources, or compromised privacy of information associated with SSA's enumeration, earnings, retirement, and disability processes and programs, SSA management must further strengthen its security program. Further progress is needed in the area of access assignments to application systems data and programs by SSA personnel.

SSA has other internal control challenges as well. As SSA changes or implements programs, the controls over these programs need to be reviewed and changed to ensure the Agency is accountable and its programs meet their stated purposes. For example, in FY 2009, SSA sent ERPs as part of its implementation of ARRA. When initially implementing the program, SSA's related policies and procedures over the ERPs were not fully developed. A policy was not initially established for ERPs issued to deceased beneficiaries and representative payees who died after SSA's certification, but before the receipt of payments. Also, there were reports that SSA sent stimulus checks to 1,700 inmates who should not have received them because they were incarcerated.

As part of its efforts to be accountable, SSA must ensure its contractors provide the services for which they are contracted efficiently and effectively. SSA enters into a number of contracts and provides a number of grants that help SSA obtain services and research, such as the development and the implementation of demonstration projects, digital document services, and research on disability and retirement issues. In FY 2009, SSA spent over $1.2 billion on contracts and grants. To help ensure SSA receives the services for which it pays, it needs to establish a greater degree of management oversight by strengthening contract and grant oversight roles and responsibilities, and more clearly defining contractor requirements.

SSA Has Taken Steps to Address This Challenge

SSA has taken steps to bring greater transparency and accountability to its operations. The Agency has continually revised its performance measures and goals to provide the public an indication of its performance. While some measures and goals need to be improved, like those discussed on page 20 of this report, we note the Agency has a tradition of publicly reporting on its performance.

The Agency will have an additional opportunity to improve its transparency and accountability in the near future. For example, ARRA calls for the uses of all ARRA funds to be transparent to the public, and the public benefits of these funds should be reported clearly, accurately, and timely. Also, the President's memorandum on openness and transparency charged the U.S. Chief Technology Officer, together with OMB and the General Services Administration, with creating recommendations for an OMB Directive on open Government. SSA will need to implement this policy once the Directive is finalized and released, which is anticipated in the near future. The Directive will help define the level of openness expected Government wide and within SSA, which should help to improve the level of transparency and accountability within the Agency.

OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit					
Audit Opinion	Unqualified				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances						
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unqualified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Conformance with financial management system requirements (FMFIA Section 4)						
Statement of Assurance	Systems conform to financial management system requirements					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

Compliance with Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
Overall Substantial Compliance	Yes	Yes
1. System Requirements	Yes	
2. Accounting Standards	Yes	
3. USSGL at Transaction Level	Yes	

ANTI-FRAUD ACTIVITIES

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Achieving Our Mission* section and the *Improper Payments Information Act of 2002 Detailed Report* for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law 103-296, requires the agency to report annually on the extent to which cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) benefits have been reviewed; and the extent to which the cases reviewed were those that involved a high likelihood or probability of fraud.

Entitlement Reviews

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. Cases are selected and reviews undertaken, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. Listed below are major entitlement reviews conducted by the agency:

Disability Quality Assurance Reviews

We perform quality assurance reviews of random samples of Disability Determination Services (DDS) determinations to measure the level of accuracy against standards mandated by the Regulations. These reviews are conducted prior to the effectuation of the DDS determinations and cover initial claims, reconsideration claims, and determinations of continuing eligibility. The following table shows that, for favorable determinations, the state DDSs have consistently made the correct decision to allow or continue benefits.

Quality Assurance Review					
	FY 2005	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
% of state DDS decisions to allow or continue not returned to the DDSs for correction	96.3%	96.3%	96.9%	97.7%	98.3%
No. of cases reviewed	37,101	35,433	33,329	32,292	34,378
No. of cases returned to the DDSs due to error or inadequate documentation	1,389	1,326	1,028	729	601

Title II Preeffectuation Reviews

We also perform preeffectuation reviews of favorable Title II and concurrent Title II/Title XVI initial and reconsideration determinations using a profiling system to select cases for review. This helps ensure the cost-effectiveness of preeffectuation reviews, and satisfies the legislative requirement that the cases reviewed are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review continuance determinations to ensure a high level of accuracy in those cases. The following table shows that over 97 percent of the decisions made on Title II preeffectuation reviews are accurate.

Title II Preeffectuation Reviews

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
% of state DDS decisions to allow or continue not returned to the DDSs for correction	95.9%	96.0%	96.3%	97.3%	97.9%
No. of cases reviewed	328,189	305,233	307,884	338,440	356,956
No. of cases returned to the DDSs due to error or inadequate documentation	13,338	12,118	11,225	9,203	7,481

Title XVI Preeffectuation Reviews

Following legislation enacted in February 2006, we began preeffectuation reviews of favorable Title XVI initial and reconsideration adult determinations. FY 2007 was the first full year of review. As in Title II cases, we also use a profiling system to select cases for review. The following table shows that over 98 percent of the decisions made on Title XVI preeffectuation reviews are accurate.

Title XVI Preeffectuation Reviews

	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
% of state DDS decisions to allow not returned to the DDSs for correction	N/A	N/A	97.4%	98.1%	98.3%
No. of cases reviewed	N/A	N/A	80,784	105,203	114,645
No. of cases returned to the DDSs due to error or inadequate documentation	N/A	N/A	2,117	2,018	1,900

Continuing Disability Reviews

A key activity in ensuring the integrity of the disability program is periodic continuing disability reviews (CDR) through which we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The accuracy of these CDRs is shown on the following table.

CDR Accuracy					
	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Overall Accuracy	94.9%	93.5%	95.6%	96.6%	97.7%
Continuance Accuracy	95.3%	93.8%	96.4%	97.6%	98.6%
Cessation Accuracy	93.3%	92.4%	93.5%	93.2%	94.8%

OASI and SSI Quality Assurance Reviews

One of our four *Government Performance and Results Act* strategic goals is 'preserve the public's trust in our programs.' One of the ways in which we achieve this goal is by performing OASI and SSI quality assurance reviews. Detailed discussion on the results of these reviews can be found in the *Performance Section* of this report on pages 65-68.

SSI Redeterminations

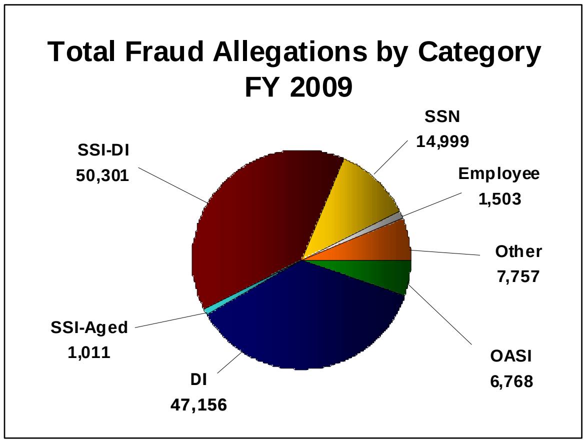
Once an individual becomes entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits and thus must be reflected in our records. SSI redeterminations are periodic reviews to ensure that a recipient is still eligible for SSI payments and that the payments are being made in the correct amount. We set a goal for the number of SSI redeterminations to be processed in FY 2009. Detailed discussion on SSI redetermination performance can be found in the *Performance Section* of this report on page 63.

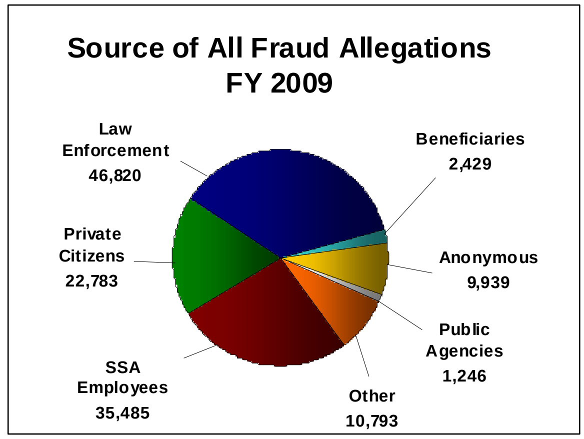
Payment Safeguard Activities

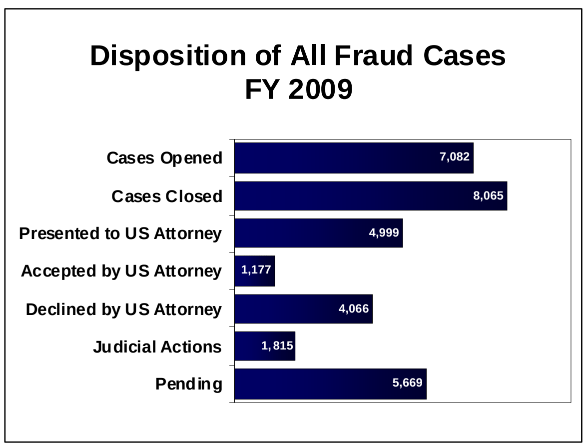
Numerous computer matching programs and other payment safeguard activities assist us in finding and correcting erroneous payment actions and in identifying and deterring fraud in our entitlement programs. In continuing efforts to improve payment accuracy, we invested an estimated $1 billion in processing nearly nine million cases in FY 2008. Current estimates indicate that these payment safeguard activities provided benefits to the OASDI trust funds and the United States Treasury of over $6.8 billion in retroactive overpayments detected and future overpayments prevented. Future preventions are calculated by projecting the amount of change to recurring monthly benefits to some number of future months. The projection of the number of future months that a change in the recurring monthly benefit amount can last varies and can depend on the source of the data and/or the frequency of the activity that led to the change. The FY 2009 results of these payment safeguard activities will be available in 2010.

The Office of the Inspector General's Anti-Fraud Activities

In FY 2009, as part of our fraud detection and prevention program for safeguarding the agency's assets, we worked with our Office of the Inspector General, the U.S. Attorney, and other State and local agencies on cases involving fraud, waste, and abuse. The charts below summarize the Office of the Inspector General's involvement in fraud activities throughout the fiscal year.







BIENNIAL REVIEW OF USER FEE CHARGES

Summary of Fees

User fee revenues of $346 million and $413 million in FY 2008 and FY 2009, respectively, accounted for less than one percent of our total financing sources. Over 78 percent of user fee revenues are derived from agreements with 23 states and the District of Columbia to administer some or all of the states' supplemental SSI benefits. During FY 2009, we charged a fee of $10.45 per payment for the cost of administering state supplemental SSI payments. This fee will remain the same for FY 2010. The user fee will be adjusted annually based on the Consumer Price Index unless we determine a different rate is appropriate for the states. We charge full cost for other reimbursable activity such as earnings record requests from pension funds and individuals.

Biennial Review

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals, as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Our review of fees during FY 2008 did not identify any significant changes in costs which would affect fees or any agency activities for which new fees need to be assessed. We are planning to perform another review of these fees during FY 2010.

DEBT MANAGEMENT

During FY 2009, we continued our comprehensive debt collection program. We use our own internal debt collection methods, as well as other authorized, aggressive methods which in some cases make use of external entities. In FY 2009, we collected $3.06 billion in program benefit overpayments through our debt collection techniques. For a more detailed discussion of our debt collection tools, please refer to the *Improper Payments Information Act of 2002 Detailed Report* immediately following this section.

In addition, we continue to use the system developed in FY 2002 to analyze and monitor our debt portfolio. The system is instrumental in creating and tracking a performance measure for debt collection. This measure is the percent of outstanding OASDI and SSI debt that is scheduled for collection by benefit withholding or installment payment. We recognize that these performance indicators can be improved by focusing overpayment recovery efforts on those overpayments most likely to result in collections. We have underway a series of initiatives that will prioritize the overpayments that are not in a collection arrangement based on their potential for collection. This is expected to lead to an increase in the rate of collection and more efficient use of available resources.

The following collection data include all the program debt owed to the agency and are presented on a combined basis without intra-agency eliminations. Collection data shown in the *Performance Section* and the *Improper Payments Information Act Detailed Report* only include legally defined overpayments in which beneficiaries have certain due process rights.

FY 2009 Quarterly Debt Management Activities (In Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables (cumulative)	$14,886.8	$15,145.3	$14,771.9	$14,999.6
Total collections (cumulative)	(936.3)	(1,772.1)	(2,613.4)	(3,465.8)
Total write-offs (cumulative)	(344.7)	(572.5)	(817.7)	(1,076.7)
TOP collections (cumulative)	(3.5)	(49.3)	(77.6)	(81.8)
Aging schedule of delinquent debts:				
- 180 days or less	1,357.8	1,163.3	1,129.1	1,114.6
- 181 days to 10 years	2,609.7	2,682.0	2,686.7	2,722.8
- Over 10 years	102.9	110.2	121.7	133.0
- Total delinquent debt	$4,070.4	$3,955.5	$3,937.5	$3,970.4

Debt Management Activities					
	FY 2005	**FY 2006**	**FY 2007**	**FY 2008**	**FY 2009**
Total debt outstanding end of FY (millions)	$13,154.8	$13,662.3	$14, 253.4	$14,912.3	$14,999.6
% of outstanding debt					
- Delinquent	21.8%	23.9%	24.6%	25.1%	26.5%
- Estimated to be uncollectible	24.2%	24.4%	27.4%	27.1%	27.5%
New debt as a % of benefit outlays	0.8%	0.9%	0.8%	0.9%	0.8%
% of debt collected	18.5%	20.2%	20.1%	21.3%	23.4%
Cost to collect $1	$0.09	$0.08	$0.07	$0.07	$0.06
% change in collections from prior FY	9.5%	13.4%	3.5%	11.1%	10.4%
% change in delinquencies from prior FY	15.3%	13.9%	7.6%	6.5%	6.3%
Collections & write-offs as a % of Total Debt	19.3%	21.2%	20.6%	21.1%	22.1%
Collections as a % of clearances	74.3%	71.1%	74.4%	75.9%	76.5%
Total write-offs of debt (in millions)	$841.8	$1,123.6	$986.1	$1,010.2	$1,076.7
Average number of months to clear receivables:					
- OASI	20	18	18	18	18
- DI	30	29	39	40	42
- SSI	42	43	42	36	34

IMPROPER PAYMENTS INFORMATION ACT OF 2002 DETAILED REPORT

Background

We are committed to reducing improper payments. We report improper payment findings (both overpayments and underpayments) from our stewardship reviews of the non-medical aspects of Old-Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs on an annual basis. In accordance with Office of Management and Budget (OMB) guidelines implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), we report as improper those payments that should not have been made or were made in an incorrect amount. Data from these reviews are also used in corrective action planning and in monitoring performance as required by the *Government Performance and Results Act of 1993*.

Statistical Sampling

The Old-Age, Survivors, and Disability Insurance (OASDI) payment accuracy rates developed in the stewardship review reflect the accuracy of payments issued to OASDI beneficiaries currently on the SSA rolls. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We select a statistically valid national sample monthly from the payment rolls consisting of OASDI beneficiaries in current pay status. For each sample selected, the beneficiary or representative payee is interviewed, collateral contacts are made, as needed, and all non-medical factors of entitlement are redeveloped as of the current sample month. We input the findings to a national database for analysis and report preparation. Similarly, we determine the SSI payment accuracy rates by an annual review of a statistically valid national sample of the SSI recipient rolls, selected monthly. We determine separate rates for the accuracy of payments in terms of overpayment and underpayment dollars.

Risk-Susceptible Program

The SSI program has been identified as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and $10 million (see Table 1). SSI's estimated improper payments are expressed separately in terms of overpayments and underpayments. For fiscal year (FY) 2008, improper payments resulting in overpayments were $4.6 billion, or 10.3 percent of outlays. Improper payments resulting in underpayments totaled $789 million representing 1.8 percent of total outlays. Every tenth of a percent change represents $45 million dollars in error. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA has extended the improper payments reporting requirements to those programs and activities listed in the former Section 57 of OMB Circular No. A-11, including the OASI and DI programs.

Since the OMB guidance on IPIA requires the evaluation of all payment outlays, e.g., beyond the OASI, DI, and SSI programs that we administer, for the sixth consecutive year we performed a review of our administrative payments, e.g., payroll disbursements, vendor payments, etc. These payments were found not to be susceptible to significant improper payments. Further information on this risk assessment of our administrative payments is available on pages 189 through 191.

Improper Payment Rates and Target Goals

The improper payment rates for the OASI, DI, and SSI programs for FYs 2006, 2007, and 2008 are presented in Table 1. The overpayment rate is calculated by dividing overpayment dollars by dollars paid. The underpayment rate is calculated by dividing underpayment dollars by dollars paid. However, there may be differences in the calculated overpayment and underpayment rates due to rounding. The percentages and dollar amounts presented in Table 1 are correct based on actual numbers used from the source data.

Table 1: Improper Payments Experience FY 2006 – FY 2008 ($ in millions)						
	FY 2006		FY 2007		FY 2008	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Payments	$454,300		$479,500		$502,692	
Underpayments	$238	0.05%	$580	0.12%	$334	0.07%
Overpayments	$948	0.21%	$345	0.07%	$841	0.17%
DI						
Total Payments	$90,700		$97,300		$104,500	
Underpayments	$442	0.49%	$175	0.18%	$160	0.15%
Overpayments	$877	0.97%	$864	0.89%	$1,200	1.12%
OASDI						
Total Payments	$545,000		$576,800		$607,210	
Underpayments	$680	0.12%	$754	0.13%	$495	0.08%
Overpayments	$1,824	0.33%	$1,209	0.21%	$2,041	0.34%
SSI						
Total Payments	$40,328		$42,600		$45,045	
Underpayments	$896	2.2%	$652	1.5%	$789	1.8%
Overpayments	$3,193	7.9%	$3,900	9.1%	$4,648	10.3%

Notes:

1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.
2. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.
3. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, +0.05% and -0.04% for underpayments and +0.24% and -0.20% for overpayment; for FY 2007, +0.11% and -0.14% for underpayments and +0.06% and -0.07% for overpayments; and for FY 2008, +0.06% and -0.04% for underpayments and +0.16% and -0.12% for overpayments;
4. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, +0.64% and -0.48% for underpayments and +0.85% and -0.85% for overpayments; for FY 2007, +0.17% and -0.19% for underpayments and +0.85% and -0.84% for overpayments; and for FY 2008, +0.14% and -0.12% for underpayments and ±0.91% for overpayments;
5. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2006, ±0.5% for underpayments and ±1.0% for overpayments; for FY 2007, ±0.4% for underpayments and ±1.9% for overpayments; and for FY 2008, ±0.53% for underpayments and ±1.46% for overpayments.

Target accuracy goals for FYs 2009, 2010, 2011, and 2012 for the OASDI and SSI programs are presented in Table 2. In the OASDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments. For the SSI program, our goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 96.0 percent for FYs 2009–2012.

Table 2: Improper Payments Reduction Outlook FY 2009 – FY 2012 ($ in millions)								
	2009 target		2010 target		2011 target		2012 target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI								
Total Payments	$658,762	100%	$696,081	100%	$722,842	100%	$748,780	100%
Underpayments	$1,317	0.2%	$1,392	0.2%	$1,446	0.2%	$1,497	0.2%
Overpayments	$1,317	0.2%	$1,392	0.2%	$1,446	0.2%	$1,497	0.2%
SSI								
Total Payments	$49,069	100%	$51,668	100%	$52,958	100%	$56,000	100%
Underpayments	$589	1.2%	$620	1.2%	$635	1.2%	$672	1.2%
Overpayments	$1,963	4.0%	$2,067	4.0%	$2,118	4.0%	$2,240	4.0%

Notes:

1. We do not have separate OASI and DI targets (goals); therefore, a combined OASI and DI target is presented.
2. FY 2009 data will not be available until April 2010; therefore, the rates shown are targets (goals).
3. The FYs 2009, 2010, 2011 and 2012 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President's FY 2010 Budget. The SSI projections for FYs 2011 and 2012 are adjusted (from those presented in the Mid-Session Review) because there are 13 payment days in FY 2011 and 11 payment days in FY 2012, yet the quality review is not affected by payment days, but rather by entitlement months.

Definitions of Improper Payments

As of 2009, OMB has asked that we categorize improper payments by one of the three categories defined below:

- **Administrative and Documentation Errors** are errors due to not having all of the supporting documentation necessary to verify the accuracy of the claim; or inputting, classifying, or processing applications or payments incorrectly at the Federal level.
- **Authentication and Medical Necessity Errors** are errors due to being unable to authenticate criteria such as living arrangements or qualifying child through third-party sources or incorrectly assessing the necessity of a medical procedure.
- **Verification and Local Administration Errors** are errors due to not verifying recipient information including earnings, income, assets, or work status; or inputting classifying, or processing applications or payments incorrectly by a state agency or third party who is not the beneficiary.

For our OASDI and SSI programs, the major causes of error are presented in Tables 3 and 4, respectively.

Improper Payments in the OASI and DI Programs

Over the last five years (FYs 2004-2008), a total of nearly $2.3 trillion was paid to OASI beneficiaries. Of that total, $3.7 billion was projected to be overpaid, representing 0.16 percent of outlays. Underpayments during this same period were projected to be $2.2 billion, the equivalent of 0.10 percent of outlays.

Applying the same analysis to the DI program, we find that over the last five years, (FY's 2004-2008), a total of over $454.8 billion was paid to DI beneficiaries. Of that total, $6.3 billion was overpaid, representing 1.4 percent of outlays. Underpayments during this same period totaled $1.8 billion, the equivalent of 0.4 percent of outlays.

Major Causes of OASDI Improper Payments

Major causes of improper payments (overpayments and underpayments) in the OASDI program are listed below using OMB's 3 definitions of errors identified above.

Table 3: Major Causes of OASDI Improper Payments in FY 2008		
	% of Improper Payments	**Major Types of Errors**
Administrative and Documentation Errors	18%	Incorrect computations, onset dates and earnings history
Authentication and Medical Necessity Errors	2%	Relationship/dependency errors and failure to report cessation of full time attendance for students
Verification and Local Administration Errors	80%	Non-verification of earnings, income, assets or work status (e.g., in relation to Substantial Gainful Activity and Government Pension Offset); inputting, classifying, or processing applications or payments incorrectly

The major causes of improper overpayments in the OASDI program have been:

- Substantial Gainful Activity (SGA)
- Computations
- Government Pension Offset (GPO)
- Relationship/Dependency

The major causes of improper underpayments in the OASDI program have been:

- Computations
- Workers' Compensation (WC)
- Wages/Self-Employment Income (SEI)

While the improper payment rate in the OASDI program is very low, our annual outlays are so large that even small percentages of payment error can mean millions of dollars paid incorrectly. Payment errors are caused by deficiencies that result in incorrect payments. An error case may include more than one type of deficiency discovered during the quality review. If a case has multiple deficiencies, the total of the individual deficiency dollars may exceed the total payment dollars for that case. Total deficiency dollars are the sum of the deficiency dollars resulting from each deficiency. Error dollars are the net collective effect of all the deficiencies on a case-by-case basis. For the 5-year period from FY 2004 through FY 2008, OASDI deficiency dollars totaled $15.9 billion, an average of about $3.2 billion per year. Accordingly, we seek continuous improvement in our processes to minimize improper payments.

Corrective Actions

SGA: Although SGA is strictly an issue for Title II DI cases, errors attributed to SGA accounted for over 48 percent of all OASDI overpayment deficiency dollars for the last five FYs (2004-2008).

Errors involving SGA remain a significant problem area and while the number of SGA error cases remains low, the error dollars for these cases are often substantial. In terms of all errors (both overpayments and underpayments) for FYs 2004 through 2008, SGA accounted for about 35 percent of total OASDI deficiency dollars.

The process for making SGA determinations has inherent delays that contribute to the magnitude of the overpayments. For the 5-year period, 78 percent of the deficiency dollars associated with these errors resulted from the beneficiaries' failure to report that they were working. The remaining 22 percent of deficiency dollars are associated with cases where we received a notice of work activity from the beneficiary, but failed to schedule a work continuing disability review. To address the "failure to report" issue, we are initiating a review of individuals with recent work activity to determine if improvements can be made in the work verification process. We will examine when in the process cases are alerted, what we do with them, how long it takes, and what the final results yield. Currently, many invalid work alerts are generated which creates non-productive work. In addition, requests for work development are not initiated until an SSA employee reviews work history based on alerts produced by postings to the Master Earnings File. Our current analysis will determine if it is more efficient to automate work development requests much earlier in the process. In addition, we plan to develop and pilot ways to simplify the work CDR process, and improve the operational control of work reports and work reviews in order to reduce decision pending times.

Also, we are studying the feasibility of a quarterly interface match between the Office of Child Support Enforcement's National Directory of New Hires and our Master Earnings File to identify work activity by an Social Security Disability Insurance beneficiary. This quarterly match will allow us to more quickly identify and evaluate work activity and result in fewer overpayments due to work.

Computations: For the 5-year period ending 2008, errors in the computation category also trended higher than in prior years. Errors involving various "computations" accounted for about 22 percent of all Title II deficiency dollars for FY 2004 through 2008. About 75 percent of computational deficiency dollars are OASI program related. In terms of payment effect, computational errors result more often in underpayments to the beneficiary. For the FY 2004 through 2008 period about 59 percent of the computation deficiencies were underpayments.

For the 5-year period, the leading causes of computational-related underpayments were calculations involving the Primary Insurance Amount (PIA), Windfall Elimination Provision (WEP), family maximums, Automatic Earnings Reappraisal Operation, and adjusted retirement factor/delayed retirement credit. The Stewardship data confirms that nearly 30 percent of computation errors, particularly PIA and WEP have their origins in initial claims processing and therefore have long-term effects over the life of the claims.

For the same 5-year period, errors involving WEP were the leading cause of computational-related overpayments. This type of error results when WEP has not been appropriately applied to the beneficiary, usually as a result of untimely reporting of pension information. Nearly 83 percent of the overpayment computational deficiency dollars for the FY 2004 through 2008 period involved WEP.

A proposal in the President's FY 2010 Budget would require state and local governments to provide data directly to us on receipt of government pensions based on work not covered by Social Security. This proposal would give us the ability to identify non-covered work in a more timely and consistent manner.

GPO: GPO rules generally require reduced Social Security benefits for a spouse or surviving spouse who receives a monthly pension from a Federal, state, or local government agency. All of the deficiency dollars in this category are OASI overpayments. Errors involving GPO account for about 7 percent of all Title II deficiency dollars for FY 2004 through 2008. As mentioned in the computation error discussion above, a proposal in the President's FY 2010 budget to require pension data from state and local governments would also assist in identifying when GPO would apply based on a pension received due to work not covered by Social Security.

Relationship/Dependency: This category involves a variety of issues such as unreported remarriage, not having a child-in-care, and students who were not in full-time attendance. In the Relationship/Dependency category about 55 percent of deficiency dollar represent situations in which the beneficiary did not report remarriage. Deficiency dollars in this category are all overpayments, of which about 83 percent are OASI overpayments.

We are evaluating several internal recommendations to address relationship/dependency errors. These recommendations include potential systems enhancements related to entitlement of stepchildren, procedural revisions, and a possible legislative change.

WC: We have an ongoing effort to prevent future problems in the WC area, as well as clean-up past problem cases. However, this manually-intensive workload continues to be a challenge. WC offset is another area that is strictly related to Title II DI cases. Errors involving WC offset accounted for about 10 percent of all Title II deficiency dollars for FY 2004 through 2008. During this period, the large majority of the WC deficiency dollars were underpayments, approximately 69 percent of the WC deficiency total.

Many of the problems associated with this complex workload are due to the variations in state laws regarding the offset of Social Security benefits for both WC payments and Public Disability Benefits (PDB). In addition, some beneficiaries may receive a combination of weekly payments, PDBs and a lump sum settlement. The combination of variance in state laws and multiple types of payments of WC/PDB received by a beneficiary often results in processing errors.

To facilitate improvement in processing claims, we re-wrote our WC operating instructions in FY 2008. The re-write addressed WC procedures related to each state. Some enhancements to the Interactive Computation Facility for computing WC offset were completed and a national website was created to house processing instructions and memorandums. We continue to work to improve the handling of claims containing WC, as well as clean-up previously identified problem cases.

By the end of FY 2009, we will have cleared nearly 6,744 clean-up cases, using the criteria developed in FY 2006 to determine which cases yield the highest return for investment, while continuing to concentrate on the quality of current WC processing. Beginning in FY 2010 and continuing through the next five years, our tentative plans are to clear 11,311 additional clean-up cases.

We are currently conducting a study on WC processing in initial claims to help determine problems during adjudication. If we can improve initial WC processing, this should translate to improved post-entitlement accuracy as well.

Wages/SEI: Wages or self-employment errors result when the earnings record does not accurately reflect the individual's earnings and the error is not detected when the individual files for benefits. Although earnings-related errors involve small dollars in the sample month, they can have a substantial impact over the life of the claim. Unless discovered in a review such as a quality review, earnings-related deficiencies reflect an incorrect payment that will continue for the life of the claim. In terms of payment effect, earnings-related errors result more often in underpayments to the beneficiary. For the FY 2004 through 2008 period, about 65 percent of the deficiency dollars for this category were underpayments. Many of these errors occur when military service credits are not given and when missing postings on the Master Earnings File are not resolved during adjudication.

We have taken a number of actions to reduce earnings-related errors. We added language to the Social Security Statement to remind the public to inform us of incorrect earnings postings. Beginning in FY 2000, all workers age 25 or over began receiving their statements, thereby giving them the opportunity to review and correct any earnings record errors before they file for benefits.

We have replaced the Earnings Computation alerts process with the Earnings Alert Record Query in the processing of claims. The Earnings Alert Record Query is a stand-alone query that checks the Master Earnings File for potential earnings irregularities on an individual's earnings record for years after 1977 (1978 and later). We implemented these alerts to enhance the detection of possible earnings irregularities and to eliminate unnecessary wage development during the earnings record review.

Increases in electronic W-2 filings reduce the number of items requiring later correction and improve earnings record accuracy. We exceeded our goal (81 percent) to receive all Form W-2s electronically for tax year 2008. For tax year 2009, our goal is to receive 83 percent of all W-2s electronically. As of August 8, 2009, we had received 197,194,262 (83.7 percent) of W-2s electronically.

The Social Security Number Verification Service allows registered employers or their third party representatives to verify the names and SSNs of hired employees for wage reporting purposes. Over the internet, users can verify up to 10 names and SSNs per screen with immediate results or upload a file with up to 250,000 names and SSNs with the results available the next business day. In fiscal year 2009, through August 7, 2009, we have verified over 84.9 million names and SSNs for over 37,600 employers.

Earnings that are not posted to an earnings record after the annual posting cycle go to a suspense file. These wage or self-employment earnings are not matched to an earnings record after all routine matching operations are complete. We are working to develop new and additional automated processes and system prototypes to:

- Identify accounts with significant probability of having missing earnings/military service;
- Search the suspense file for missing earnings; and
- Match and move items from suspense to the beneficiary's earnings record.

We currently run several processes that re-examine the suspense file and electronically identify and post to the correct earnings records millions of dollars of earnings. In FY 2009 alone, these processes have moved over 104,000 items from the Earnings Suspense File (ESF) to the Master Earnings File resulting in more than $537 million being posted to the correct beneficiary record. We also expect that these re-examination processes will help us to enhance the management of the suspense file. In addition, we developed a software program (Manual Suspense Items Reinstate – MSIR) that is being used by the agency to manually look at ESF items that scored high in matching routines, but not high enough to be reinstated through one of the automated processes. To date, in FY 2009, MSIR has reinstated nearly 100,000 items from tax years 2003 and 2004 to the Master Earnings File, totaling over $361 million.

Improper Payments in the SSI Program

Over the last five years (FYs 2004-2008), we paid a total of $204.5 billion to SSI recipients. Of that total, $16.6 billion was overpaid, representing 8.1 percent of outlays. Underpayments during this same period totaled $3.4 billion, the equivalent of 1.7 percent of outlays

We recognize the continuing decline in the accuracy of SSI payments. This is mainly caused by the focusing agency resources on initial claims processing, rather than post-payment initiatives. In the corrective action section below, we discuss efforts to make improvements. In addition, we will be developing an agency plan focused on these improvements and identifying others to increase SSI payment accuracy.

Major Causes of SSI Improper Payments

Major causes of improper payments (overpayments and underpayments) in the SSI program are listed in Table 4, using OMB's three definitions of errors identified above.

Table 4: Major Causes of SSI Improper Payments in FY 2008		
	% of Improper Payments	**Major Types of Errors**
Administrative and Documentation Errors	11%	Incorrect computations, misapplication of an income or resource exclusion and wrong month of change
Authentication and Medical Necessity Errors	23%	Existence or changes to living arrangements and In-kind Support and Maintenance (ISM)
Verification and Local Administration Errors	66%	Verification of financial accounts and wages

The major causes of improper overpayments in the SSI program have been:

- Financial Accounts (such as bank savings or checking accounts, credit union accounts, etc.)
- Wages

The major causes of improper underpayments in the SSI program have been:

- Wages
- Living Arrangement "A"
- In-kind Support and Maintenance

Payment errors are caused by deficiencies that result in incorrect payments. An error case may include more than one type of deficiency discovered during the quality review. If a case has multiple deficiencies, the total of the individual deficiency dollars may exceed the total payment dollars for that case. Total deficiency dollars are the sum of the deficiency dollars resulting from each deficiency. Error dollars are the net collective effect of all the deficiencies on a case-by-case basis.

Corrective Actions

For the entire 5-year period, 78 percent of the improper payments were overpayments caused by a change that occurred independent of an initial claim, redetermination, or limited issue. A limited issue is a case requiring development of a specific issue or event without conducting a redetermination.

Financial Accounts: For the 5-year period, financial accounts were the leading causes of overpayments, accounting for about 21 percent of the total overpayment dollars. For FY 2008, financial account overpayment deficiencies are estimated to be $1.4 billion.

Financial account deficiencies occur when financial accounts owned by the recipient or deemor (parent or spouse of an eligible individual) exceed the resource limit and the recipient becomes ineligible for SSI payments. For the 5-year period, undisclosed bank accounts or an increase in the amount of an account that the recipient or representative payee did not disclose to us accounted for 97 percent of the total overpaid dollars.

Each year, the majority of improper payments in this category were attributed to changes that occurred subsequent to an initial claim or after completion of the last redetermination. That is, these improper payments occurred after we had been in contact with the recipient. In FY 2008, 90 percent of the improper payments in this category fit this description.

The agency's Access to Financial Information initiative provides for verification of bank account balances. This initiative is currently in effect in New York, New Jersey, and California. It has the potential to detect and prevent many of these bank account errors. If additional funding is made available in FY 2010, we will begin the process of national rollout.

Wages: Wages have been one of the leading deficiency types for overpayment improper payments in the last five years. They accounted for about 18 percent of total overpayment improper payments during the 5-year period. The major factor (91 percent) in wage overpayment improper payments was the failure of recipients/representative payees to provide an accurate and timely report of new or increased wages for the recipient or deemor. Wage overpayments increased from $803 million in FY 2007 to $884 million in FY 2008, a 10 percent increase.

In an effort to achieve more timely and accurate reporting of wages, the agency has implemented the SSI Telephone Wage Reporting system. This provides a separate toll-free number for people to call and report their wages each month. The monthly reporting of wages and automatic input to SSA's systems is an effective way to avoid incorrect SSI payments. Effective May 8, 2009, field offices across the nation must recruit SSI recipients, deemors (parent or ineligible spouse of an SSI recipient) and representative payees to participate at initial claim, redeterminations, and limited issue interviews. In FY 2009, the number of individuals who submitted wage reports by telephone was over 10,250. We anticipate that the favorable effects of this new national initiative should begin to appear when we measure FY 2009 accuracy.

In FY 2008, we completed just over 1.2 million non-medical redeterminations and limited issue reviews of SSI recipients. The number of limited issues was slightly less than in FY 2007, while the number of redeterminations increased by about 200,000.

Wages have been the leading cause of underpayment improper payments in four of the last five years, accounting for about 26 percent of total underpayment improper payments during the 5-year period. The major factor (88 percent) in wage underpayment improper payments was the failure of recipients/representative payees to report a decrease or termination in wages for the recipient or deemor. Over the 5-year period, wages earned by deemors accounted for 63 percent of underpayment improper payments and wages earned by recipients accounted for 37 percent of underpayment improper payments.

For the 5-year reporting period, wage fluctuations accounted for 61 percent of underpayment wage improper payments. The remaining improper payments resulted because recipients/representative payees failed to report a reduction or termination of wages, or because of miscellaneous reasons; e.g., wages were deemed that should not have been deemed. Regular and accurate monthly wage reports will help reduce underpayments caused by wages.

Living Arrangements: Living arrangement "A" is the category that includes people who should have been paid based on "living in own household" (e.g., home ownership, rental liability, paying pro rata share of household expenses) but were paid based on another living arrangement. This category was the second leading cause of underpayment improper payments for the last five years, accounting for 19 percent of the total underpaid dollars.

Over the five years, this deficiency primarily occurred (88 percent) when the recipient provided an incomplete or inaccurate report or failed to report a change. For each year in the 5-year period, almost two-thirds of the underpayment improper payments were caused by a change that occurred after an initial claim or after the last redetermination/related limited issue.

ISM: ISM deficiencies were the third leading cause of underpayment error dollars over the last five years, accounting for 19 percent of the total underpaid dollars. The primary cause of ISM underpayment improper payments for the 5-year period was when the recipient was no longer receiving ISM yet it continued to be figured into the payment calculation (89 percent). This occurred because a change was not reported or we received an incomplete/inaccurate report (75 percent) and because field offices inaccurately processed cases (21 percent). The remainder occurred because of administrative tolerances or mail-in redeterminations that did not solicit information to identify the change in ISM. For the 5-year period, 70 percent of the ISM improper payments resulted from a change subsequent to an initial claim or after the last redetermination/related limited issue.

We are continuing to look at options for simplifying living arrangements and ISM policies that we believe would contribute to a reduction in underpayments.

The redetermination process is one of our most powerful tools for preventing and detecting improper SSI payments. As described above, the vast majority of improper payments occur at a point in time when we are not in contact with the individual. Clearly, more frequent redeterminations will result in reductions in the level of improper payments.

Medical Aspects of the DI and SSI Programs

The medical aspects of the DI and SSI programs are administered through state agencies at the initial claim, reconsideration, and continuing disability review stages of the disability process. We have established net accuracy rate goals for Disability Determination Service (DDS) allowance and denial decisions. The goals reflect the percent of initial claims that maintain their original DDS decision after Federal review and subsequent additional development, as required.

The allowance, denial, and overall accuracy rates for FYs 2007 and 2008 are presented in Table 5. These rates are determined by our quality assurance review of initial claims. We review all sampled determinations prior to effectuation and deficient cases are returned and corrected.

For FY 2009 the combined allowance and denial goal for net accuracy goal is 97 percent. FY 2009 data will be available in January 2010.

Table 5: DDS Initial Claim Net Accuracy

Initial Claim Net Accuracy	FY 2007	FY 2008
Allowance	98.4%	98.9%
Denial	95.6%	95.4%
Combined	96.6%	96.6%

Note: The changes from FY 2007 to FY 2008 are not statistically significant.

The *Social Security Act* also requires a review of 50 percent of the favorable DI and concurrent DI/SSI initial and reconsideration DDS determinations; i.e., pre-effectuation reviews (PER). To the extent feasible, we make the selection from those determinations most likely to be incorrect.

Using a logistic regression methodology, initial and reconsideration allowances are profiled and cases falling within the established cut off score are selected for review. We review all sampled determinations prior to effectuation and return and correct deficient cases. For FY 2007, Title II PER was estimated to save $583 million in lifetime OASDI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 11:1.

The *Social Security Act* now includes an extension of the PER review of favorable adult disability decisions to the SSI program. FY 2008 is the first year we were required to review 50 percent of all allowances in the SSI program. In FY 2007, we were required to review 40 percent of SSI allowances. For FY 2007, SSI PER was estimated to save $88 million in lifetime SSI and Medicaid payments, with a benefit/cost ratio of 8:1.

Improper Payments for Administrative Outlays

We conducted an evaluation of our FY 2008 administrative payments and determined them not to be susceptible to significant improper payments. In FY 2008, we outlaid $11,055 million to administer the OASI, DI, and SSI programs. These costs largely consisted of payroll and benefits but also included payments to state agencies for the DDS.

Risk Assessment

We segmented administrative payments into several categories and used the categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 6: FY 2008 Administrative Expenses
($ in millions)

Payroll and Benefits	$5,490
State DDS	$1,854
Other Administrative Expenses*	$3,711
Total Administrative Payments	$11,055

Notes:

*Other Administrative Expenses includes Travel, Transportation, Rents, Communications and Utilities, Printing and Reproduction, Other Services, Supplies and Materials, Equipment, Land and Structure, Grants, Subsidies and Contributions, Information Technology Systems, OASI and DI Trust Fund Operations, Other Dedicated Accounts, Other Reimbursable, Budget not allotted and allowed, Interest and Dividends, and Insurance Claims and Indemnities.

Using OMB guidelines, we conducted a risk assessment on each of the categories listed in Table 6. We reviewed the payment categories and assessed any identified improper payments versus the entire payment category. The result of this analysis showed that our administrative payments were not susceptible to significant improper payments.

As part of the risk assessment, we also considered the following factors:

- A number of financial statement audits, which identified no significant weaknesses in the administrative payment process;
- Extensive edits inherent in our administrative payment systems; and
- The strong internal control structure we have in place to prevent, detect, and recover improper administrative payments.

Based on the results of the overall risk assessment, we determined that our administrative payments do not meet the criteria for further reporting to Congress or OMB based on the OMB-issued guidance.

Recovery Audit Program

Section 831 of the *Defense Authorization Act for FY 2002* added a subchapter to the U.S. Code (31 USC 3561-3567) that requires agencies that enter into contracts with a total value in excess of $500 million in a fiscal year to carry out a cost-effective program for identifying errors made in paying contractors and for recovering amounts erroneously paid to the contractors. A required element of such a program is the use of recovery audits and recovery activities.

OMB guidance states that agencies shall have a cost-effective program of internal control to prevent, detect, and recover overpayments to contractors resulting from payment errors. To comply with this guidance and support the evaluation that administrative payments are not susceptible to significant improper payments, we have established an in-house recovery audit program for administrative payments to address recovery issues related to recovering and limiting improper sales tax, excise tax, and late payment charges. Additionally, we use computer-assisted auditing techniques to identify possible duplicate payments. Our in-house recovery audit program employs an automated query system to identify payments made to the same vendor, with the same invoice date, and for the same amount to help identify payments that represent a higher risk of being double payments.

Results from our in-house recovery audit program and quality review process continue to confirm that Administrative Payments are well below the threshold established for reporting improper payments. These results further validate and reinforce our existing controls for the prevention, detection, and collection of improper payments.

Program Scope

The recovery audit program scope included a sample review ($12.362 million) of the $1,462 million total administrative contractor payments for FY 2008. Of the total population, about .05 percent or $750,622 had been identified as an improper payment and collected. These results further validated our existing controls for prevention, detection, and collection of administrative improper payments.

We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Cost-type contracts that have not been completed where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and condition of the contract.
- Cost-type contracts that were completed, subjected to final contract audit and, prior to final payment of the contractor's final voucher, all prior interim payments made under the contract were accounted for and reconciled.

Table 7: FY 2008 Recovery Auditing Results ($ in millions)

Agency Component	Amount subject to Review for CY Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery PYs	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
Administrative Expenses	$1,462	$12.362	$0.750	$0.750	$5.085	$5.085	$5.835	$5.835

Accountability for Improper Payments

In recognition of our responsibility to make payments in the right amount - neither overpaying nor underpaying - our Agency Strategic Plan includes an objective to curb improper payments. In view of the strategic importance of this effort, we are taking practical steps to strengthen management focus and accountability on initiatives aimed at better detection and prevention of improper payments.

SSA's Chief Financial Officer now has the lead responsibility for integrating our activities and planning efforts in the improper payments area. In that role, the Chief Financial Officer provides oversight of improper payments activities, develops improvement plans, and sets achievement milestones, in coordination with other agency executives. Progress is monitored in regular meetings and agency executives are held accountable for achieving plan milestones.

Agency Information Systems to Reduce Improper Payments

Background

We have a formal process to plan and execute Information Technology (IT) projects and the IT budget. The Information Technology Advisory Board (ITAB) is an executive body offering advice to our Chief Information Officer on areas of Capital Planning and Investment Control. The ITAB is comprised of the Chief Information Officer, Deputy Commissioner for SSA, all Deputy Commissioners, and other executive staff.

As part of the Capital Planning and Investment Control environment, the ITAB reviews and approves IT plans outlining Office of Systems' IT initiatives prior to the beginning of the fiscal year. These IT plans become the blueprint for the developmental and maintenance activity within the Office of Systems.

On a quarterly basis, the ITAB reviews the progress of each IT plan and the agreed capital investments. Major investments are assessed at key decision points to ensure they are well-founded, are achieved within the approved cost and schedule, and provide expected benefits. They may be redirected or terminated when necessary. These activities are key to our capital investment and control process.

IT Strategy

The driving force behind IT Strategy is the Social Security Administration's IT Capital Planning and Investment Control process, which ensures broad Agency involvement in IT investment selection, control, and evaluation through a Chief Information Officer-chaired ITAB made up of senior executives and through independent Chief Information Officer-directed review and oversight. The IT Capital Planning and Investment Control process oversees all Agency IT investments (including internal IT staff resources as well as the acquisition of IT hardware, software, and services) through the Agency's IT planning, budgeting, cost, and schedule oversight and system development life cycle management processes.

IT projects are placed in Strategic Objective Portfolios that are based on the *Agency Strategic Plan* (ASP) Goals, Special Initiative, and Key Foundational Elements. There are 8 portfolios based on the ASP and a ninth portfolio for Reimbursable Work initiatives. The majority of the improper payment IT initiatives are in the Program Integrity Portfolio.

Provided we develop the IT initiatives identified to improve preventing, detecting, and collecting improper payments and are given the resources to do so, we will be in a better position to achieve our strategic objectives in this area. The President's FY 2010 budget request for the agency is $11.451 billion for Limitation on Administrative Expenses, an increase of $997 million in discretionary budget authority over our FY 2009 appropriation. With the President's FY 2010 budget, we will be able to process almost 4.6 million retirement and survivors claims and improve service to 800-number callers, substantially reduce the hearings backlog, and process more program integrity work. The budget supports our efforts to improve payment accuracy through a broad range of activities designed to prevent and detect improper payments. These efforts include processing approximately 2.3 million SSA non-disability redeterminations. These activities will help ensure the ongoing stewardship of our programs.

Statutory and Regulatory Barriers to Reducing Improper Payments

We continuously develop legislative proposals to improve administration of the OASI, DI, and SSI programs. For example, the President's FY 2010 budget included a proposal that would improve the administration of the GPO and the WEP by requiring pension payers to identify if the pension paid to the person is based in any part on work that was not covered by Social Security. With this information, we could then compare the reports with beneficiary payment records and examine cases that indicate the possibility that GPO or WEP applies. We would be able to obtain data on pensions based on noncovered work in a more timely and consistent manner. The proposal would thereby improve our stewardship over the program and the Social Security Trust Funds.

In another example, the *Food, Conservation and Energy Act of 2008* included a provision that allows the Federal Government to trace and recover Federal payments sent electronically to the wrong account. Previously, SSA only received OASDI account holder information for recovery. Pending publication of the Department of Treasury's regulations, we will have the authority to recover those misdirected and/or improper electronic payments for SSI in addition to OASDI.

Agency Efforts to Collect Overpayments in the OASI, DI and SSI Programs

In FY 2009, we collected $3.06 billion in program debt. We achieve debt collections in a variety of ways that have been developed over the years. Collection techniques include internal methods such as benefit withholding and billing and follow-up. In addition, we use external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* (FCIA) for SSI debts. These debt collection tools include the Treasury Offset Program (TOP), credit bureau reporting, administrative wage garnishment (AWG), and Federal Salary Offset (FSO).

Our strategy for improving our debt collection program is to focus on the techniques that provide direct collections from revenue sources or that can be easily integrated into existing systems. In keeping with this strategy, we have worked steadily over the years to build the strong debt collection program we now employ. We have a history of striving for maximum stewardship of the OASI and DI Trust Funds and the General Fund. In the early 1990s, we launched an expansion of debt collection tools that continues today.

Beyond our internal methods of debt collection which are benefit withholding and billing/follow-up, Table 8 below summarizes the results of key debt management initiatives we have undertaken, followed by a discussion summary of each initiative.

From their inception through September 2009, these initiatives have yielded over $3.5 billion in benefits through a combination of overpayment recovery and prevention improvements.

Table 8: Results Summary - Debt Management Initiatives ($ in Billions) Through September 2009

Initiative	Initial Inception	Results		
		OASDI	SSI	TOTAL
Tax Refund Offset/Treasury Offset	1992	$0.982	$0.675	$1.657
Credit Bureau Reporting	1998	$0.291	$0.236	$0.527
Cross Program Recovery	2002	$0.055	$0.486	$0.541
Wage Garnishment	2005	$0.043	$0.011	$0.054
Automatic Netting - SSI	2002	N/A	$0.730	$0.730
Total ($ Billion)		**$1.371**	**$2.138**	**$3.509**

Note: Tax Refund Offset/Treasury Offset includes Federal Salary Offset recoveries.

Non-Entitled Debtor collections are included in Tax Refund Offset/Treasury Offset, Credit Bureau Reporting, and Wage Garnishment totals.

Tax Refund Offset/Treasury Offset: Taking advantage of the legal authorities granted in the *Omnibus Budget Reconciliation Act of 1990* (for OASDI debts), and the *Deficit Reduction Act of 1984* (for SSI debts), we began an expansion of our debt collection initiatives with the implementation of tax refund offset (TRO) in 1992. We enhanced our TRO program twice in the 1990s and then merged it with TOP in 1998. To date, we have collected over $1.6 billion in delinquent debt via TRO/TOP.

Credit Bureau Reporting: In 1998, we began reporting delinquent OASI and DI debts to credit bureaus. After receiving the authority to use credit bureau reporting for SSI debts in 1999, we also began reporting those delinquent debts to the credit repositories. Since 1998, the negative consequences of credit bureau reporting have contributed to the voluntary repayment of over $527 million in delinquent overpayments by people who do not want to submit to the reporting or to other aggressive collection tools such as TOP and AWG.

Cross Program Recovery - SSI: After receiving the authority to use mandatory Cross Program Recovery (CPR), or the collection of an SSI overpayment from monthly OASI and DI benefits due the debtor, we developed and implemented this internal collection method. Since 2002, we have collected over $486 million in SSI overpayments from the Social Security benefits paid each month to the former SSI recipients. Also, we received additional authority for CPR in the *Social Security Protection Act (SSPA) of 2004* that enabled us to use mandatory CPR in situations where CPR was not previously permitted. We started using this new authority in January 2005 to collect SSI overpayments from large OASDI underpayments, even when the individual remains eligible for SSI monthly payments.

Cross Program Recovery - OASDI: Under the authority granted by the SSPA of 2004, we further expanded the use of CPR in August 2007 to include recovery of OASDI overpayments from SSI underpayments. Since implementing this expanded CPR process, we have recovered almost $55 million in OASDI overpayments. We intend to continue expanding the CPR program to other situations in the future.

AWG: We also implemented AWG, a process in which a Federal agency orders an employer to withhold amounts each payday from an employee who owes a debt to the agency, and the employer pays those amounts to the agency. We issued the first garnishment orders in April 2005 to the employers of OASI, DI, and SSI debtors who became delinquent in 2005. We expanded the AWG program to all existing delinquent debtors in August 2006. To date we have recovered over $54 million in AWG.

Automatic Netting - SSI: In addition to the preceding improvements, we implemented other debt collection techniques of major import. One such improvement is called "Netting," an automated process implemented in September 2002 to automatically net SSI overpayments against SSI underpayments. Since implementing automatic netting, we have prevented nearly $730 million in overpayments computed and underpayments paid.

Non-Entitled Debtors: In November 2005, we implemented a new initiative called the Non-Entitled Debtors (NED) program, which was also authorized by the FCIA. This automated system enables us to control recovery activity for debts owed by people for whom we do not have a master record. For example, the records for debtors such as representative payees who receive overpayments after the death of the beneficiary are controlled in NED. Work is continuing on the expansion of this system, which will eventually include all types of debtors who are not entitled to benefits and will allow us to collect NED debts by means such as TRO, AWG, and FSO.

FSO: In FY 2006, we implemented FSO, which was authorized by the DCIA for OASDI debts, and by the FCIA for SSI debts. FSO is the process whereby the salary paying agency withholds amounts each pay day from an employee of the Federal government who owes a debt to a creditor agency. We use FSO to collect delinquent SSA overpayments owed by Federal employees, including employees who work for SSA.

Other Initiatives: We have also helped other Federal agencies with debt collection by collaborating with Treasury's Financial Management Service and Internal Revenue Service to develop two collection programs for collecting delinquent non-tax and tax debt: (1) The Benefit Payment Offset program, authorized by the DCIA, collects delinquent non-tax debts from Social Security benefits; and (2) the Federal Payment Levy Program, authorized by the *Taxpayer Relief Act of 1997*, collects delinquent tax debts from Social Security benefits.

Continued improvement in our debt collection program is also underway. The future will see the expansion of our current initiatives as well as the implementation of several remaining debt collection tools which would be achieved through promulgating regulations. They include the use of private collection agencies and administrative fees, interest-charging, or indexing a debt to reflect its current value.

Economic Recovery Payments (ERP)

In February 2009 President Obama signed the *American Recovery and Reinvestment Act* (ARRA) of 2009 which provided for a one-time ERP of $250 to most adult OASDI, SSI, Railroad Retirement Board (RRB), and Veteran's Affairs (VA) Disability beneficiaries. If an individual was eligible for OASDI and/or SSI benefits in November 2008, December 2008, or January 2009, they are entitled to receive the one-time payment. If individuals receive benefits from more than one of the eligible programs, they receive a single $250 payment. The ARRA authorized the Agency to make payments through December 31, 2010. As of September 30, 2009, we have made almost 53 million ERPs totaling $13.1 billion.

We developed a risk management plan to determine the accuracy of the payments and for the following reasons the payments were determined to be low risk and not susceptible to improper payments.

- We used our existing Title II and Title XVI programmatic databases and master files to select and certify ERPs.
- We employed a sophisticated matching operation internally with the VA and RRB to select eligible recipients for payment, according to criteria in the ARRA and guard against duplicate payments.
- Moreover, ERPs were certified at a fixed rate of $250 for each eligible recipient and did not involve benefit computations. (From a payment accuracy perspective, this is highly significant because, historically, computation-related factors are a major cause of payment errors for the Title II and Title XVI program.)

To further support our determination that these were low risk payments and not susceptible to improper payments, to date out of the almost 53 million payments we have received only 46,991 (.09 percent) claims of non-receipt and 326 (.0006 percent) double check negotiations.

An area of concern was our selection and payment of Prouty beneficiaries, beneficiaries who attained age 72 before 1972, many of whom had been in suspense status for a long time and were since deceased. Of almost 53 million ERPs, 8,208 (.02 percent) were issued to Prouty beneficiaries. We have since recovered funds for 84 percent of those payments. We expect to be reimbursed for most of the remaining payments through the “limited payability” of Treasury checks. That is, Treasury will credit us with the funds for any ERP checks that remain unnegotiated after one year from the date of issuance.

Issuing ERPs to 4,400 individuals residing in prisons was another concern. According to ARRA, an individual in prison could be eligible for the one-time $250 payment. There are certain categories of these individuals we are evaluating to verify their eligibility for ERPs. Most of the payments for the 1,500 individuals who were determined to be ineligible have already been recovered.

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