



BACKGROUND

We take our responsibility to reduce improper payments seriously; curbing improper payments is one objective in our current strategic goal to preserve the public's trust in our programs. Each year, we report improper payment findings (both overpayments and underpayments) from our stewardship reviews of the non-medical aspects of the Old-Age and Survivors' Insurance (OASI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs. In addition, we perform recovery audits of our administrative payments. In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), we report as improper those payments that result from:

- Our mistake in computing the payment;
- Our failure to obtain or act on available information affecting the payment;
- A beneficiary's failure to report an event; or
- A beneficiary's incorrect report.

We also work to satisfy the requirements of *Executive Order 13520: Reducing Improper Payments and Eliminating Waste in Federal Programs*, issued November 20, 2009. Our improper payments website, www.socialsecurity.gov/improperpayments, features additional information about our efforts to identify and eliminate root causes of error.

Additionally, on July 22, 2010, President Obama signed the *Improper Payments Elimination and Recovery Act* (IPERA) into law. IPERA amends the *Improper Payments Information Act of 2002*, and reinforces many of the initiatives we are currently implementing to address improper payments. IPERA further increases our transparency, accountability, and reporting concerning improper payments from the existing requirements of the IPIA and Executive Order 13520. We strongly support this legislation and will begin reporting on the IPERA legislative requirements in the IPIA section of the *Fiscal Year (FY) 2011 Performance and Accountability Report*.

ACCOUNTABILITY FOR IMPROPER PAYMENTS

Executive Order 13520 focuses on reducing improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in Federal programs. As our Accountable Official, Commissioner Michael J. Astrue is responsible for overseeing agency efforts to meet the targets established by the Executive Order.

Due to the strategic importance of this effort, we have taken steps to strengthen management focus and accountability on initiatives aimed at better detection and prevention of improper payments. Our Chief Financial Officer (CFO) now has the lead responsibility for integrating our activities and planning efforts in the improper payments area. In that role, the CFO provides oversight of improper payments activities, develops improvement plans, and sets achievement milestones in coordination with other agency executives. We monitor our progress in monthly meetings and hold agency executives accountable for achieving plan milestones.

STATISTICAL SAMPLING

Our Annual Performance Plan includes Old-Age, Survivors, and Disability Insurance (OASDI) and SSI payment accuracy performance measures. We use stewardship reviews to measure the accuracy of payments to beneficiaries in current payment status. Each month, we review a sample of OASI cases, DI cases, and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral

Other Accompanying Information

contacts as needed, and redevelop all non-medical factors of eligibility as of the sample month. We then input the findings into a national database for analysis and report preparation.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refer to an incorrect payment made to a case as a whole, with an overpayment or underpayment occurring when we pay either more or less than what we should have. Some cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency. We analyze and track the individual effect of each separate cause of error. Because we project findings from samples, we use a five-year average for each type of deficiency to rank and identify trends.

Stewardship review findings provide the data necessary to meet the IPIA reporting requirements, as well as other reports to monitoring authorities. The OASDI and SSI payment accuracy rates developed in the stewardship reviews reflect the accuracy of payments issued to current OASDI beneficiaries and SSI recipients. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We also provide payment accuracy rates for the current and previous reporting periods.

RISK-SUSCEPTIBLE PROGRAM

We identified the SSI program as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and \$10 million (see Table 4). We report estimated improper payments in the SSI program in terms of overpayments and underpayments. For FY 2009, improper payments resulting in overpayments were \$4.04 billion, or 8.4 percent of outlays, and improper payments resulting in underpayments totaled \$787 million, or 1.6 percent of total outlays. Even though the OASI and DI programs are not identified as susceptible to significant improper payments, IPIA 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.

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 seventh consecutive year, we performed a review of our administrative payments, including payroll disbursements, vendor payments, etc. These payments prove not to be susceptible to significant improper payments, and further information on this risk assessment of our administrative payments is available on page 204.

CATEGORIES OF IMPROPER PAYMENTS

Beginning in 2009, OMB required us to categorize improper payments into one of three categories as defined below:

- **Administrative and Documentation Errors** are errors due to the lack of all 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.

IMPROPER PAYMENTS IN THE OASI AND DI PROGRAMS

Table 1 features the improper payment rates for the OASI and DI programs for FYs 2007, 2008, and 2009. We calculate the overpayment rate by dividing overpayment dollars by dollars paid, and the underpayment rate by dividing underpayment dollars by dollars paid.

Table 1: OASDI Improper Payments Experience FY 2007 – FY 2009 (dollars in millions)			
	FY 2007	FY 2008	FY 2009
Total Payments			
Dollars	\$576,800	\$607,210	\$659,565
Underpayments			
Dollars	\$754	\$495	\$619
Target Rate	≤0.20%	≤0.20%	≤0.20%
Actual Rate	0.13%	0.08%	0.09%
Overpayments			
Dollars	\$1,209	\$2,041	\$2,547
Target Rate	≤0.20%	≤0.20%	≤0.20%
Actual Rate	0.21%	0.34%	0.37%
Notes:			
1. Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays.			
2. The percentages and dollar amounts presented in Table 1 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.			
3. OASI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, +0.11% and -0.14% for underpayments and +0.06% and -0.07% for overpayments; for FY 2008, +0.06% and -0.04% for underpayments and +0.16% and -0.12% for overpayments; and for FY 2009, ±0.05% for underpayments and +0.15% and -0.17% for overpayments.			
4. DI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, +0.17% and -0.19% for underpayments and +0.85% and -0.84% for overpayments; for FY 2008, +0.14% and -0.12% for underpayments and ±0.91% for overpayments; and for FY 2009, +0.16% and -0.17% for underpayments and ±1.33% for overpayments.			

Over the last five years (FYs 2005-2009), we paid over \$2.4 trillion to OASI beneficiaries. Of that total, we project \$3.2 billion was overpaid, representing 0.13 percent of outlays. We project that underpayments during this same period were \$2.1 billion, the equivalent of 0.09 percent of outlays.

Applying the same analysis to the DI program, we project over the last five years, (FYs 2005-2009), we paid \$490.6 billion to DI beneficiaries. Of that total, we project \$6.7 billion was overpaid, representing 1.4 percent of outlays. We project underpayments during this same period totaled \$1.4 billion, the equivalent of 0.3 percent of outlays.

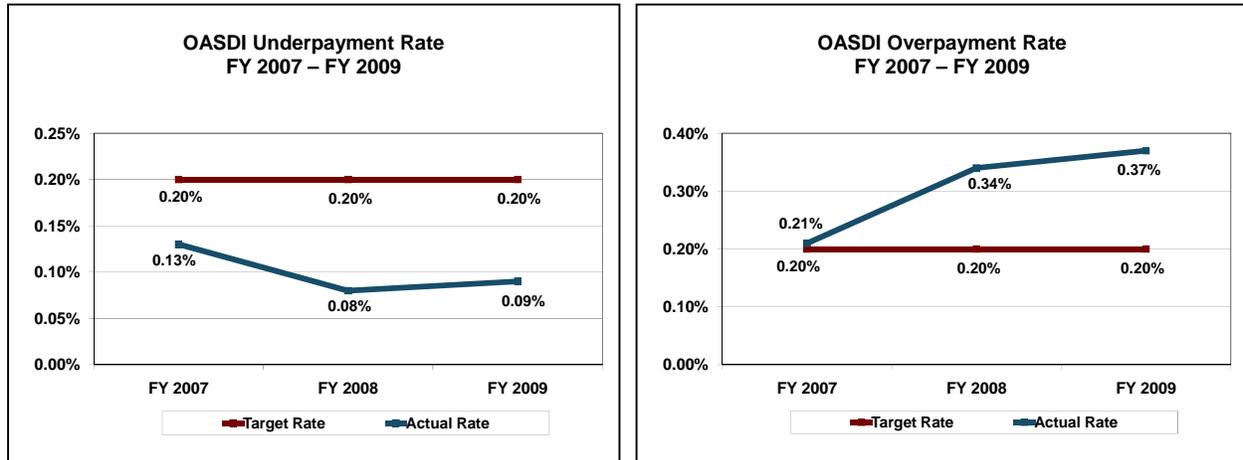


Table 2 presents our target accuracy goals for FYs 2010, 2011, and 2012 for the OASDI programs. In the OASDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments.

Table 2: OASDI Improper Payments Reduction Outlook FY 2010 – FY 2012 (dollars in millions)						
	2010 Target		2011 Target		2012 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Payments	\$696,180		\$723,491		\$755,191	
Underpayments	\$1,392	0.2%	\$1,447	0.2%	\$1,510	0.2%
Overpayments	\$1,392	0.2%	\$1,447	0.2%	\$1,510	0.2%

Notes:

1. We do not have separate OASI and DI targets (goals); therefore, we present a combined OASI and DI target.
2. FY 2010 data will not be available until April 2011; therefore, the rates shown are targets (goals).
3. Payment dollars for FYs 2010-2012 are based on projections underlying the Mid-Session Review of the President's FY 2011 Budget.

Major Causes of OASDI Improper Payments

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

- Substantial Gainful Activity (SGA)
- Computations
- Government Pension Offset (GPO)
- Wages/Self Employment Income (SEI)

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

- Computations
- Wages/SEI
- Workers' Compensation (WC)

Table 3 lists these major causes of improper payments (overpayments and underpayments) in the OASDI program using OMB's three categories of errors.

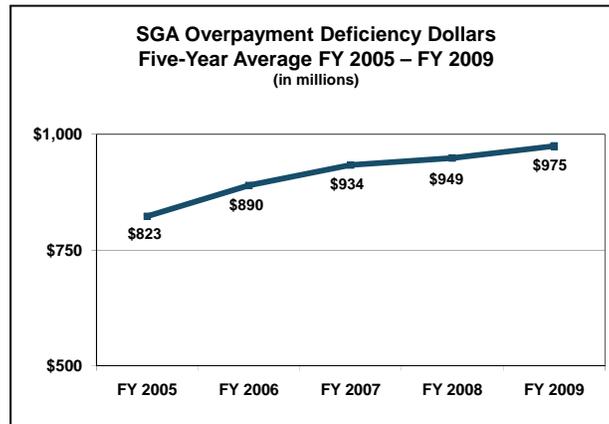
Table 3: Major Causes of OASDI Improper Payments in FY 2009		
	% of Improper Payments	Major Types of Errors
Administrative and Documentation Errors	32%	Incorrect computations, onset dates, and earnings history
Authentication and Medical Necessity Errors	7%	Relationship/dependency errors and failure to report cessation of full-time attendance for students
Verification and Local Administration Errors	61%	Non-verification of earnings, income, or work status (e.g., in relation to SGA and GPO); inputting, classifying, or processing applications or payments incorrectly

Substantial Gainful Activity

Description:

When a disability beneficiary works, a number of factors determine whether he or she can continue to receive monthly benefits. Improper payments occur when beneficiaries fail to report earnings timely or when we do not withhold monthly benefit payments timely.

Historical Figures:



Corrective Actions:

In FY 2010, we accomplished the following using a multi-prong approach:

- Dedicated staff to target the oldest cases first; initially, we targeted cases over 365 days old, and we will gradually reduce the age threshold;
- Prioritized the systems enforcement alerts we use to identify unreported earnings for DI beneficiaries by the amount of earnings; we then work the cases with highest earnings first to minimize overpayments;
- Improved communication between our field offices (FO) and processing centers (PC) for cases that must be transferred between components (e.g., FO cases that must be manually processed by the PC); and
- Allocated additional staff resources to these workloads.

In addition, we are exploring the following to ensure accurate reporting of beneficiaries' earnings:

- Extending the existing SSI telephone wage reporting process to DI beneficiaries. This initiative will enable beneficiaries to report their earnings by telephone – either by touch-tone or voice recognition. Based on the positive results of electronic reporting in the SSI program, we hope to have similar success in reducing DI overpayments due to late reporting of earnings.
- Establishing a website for DI beneficiaries to report their wages easily and promptly.

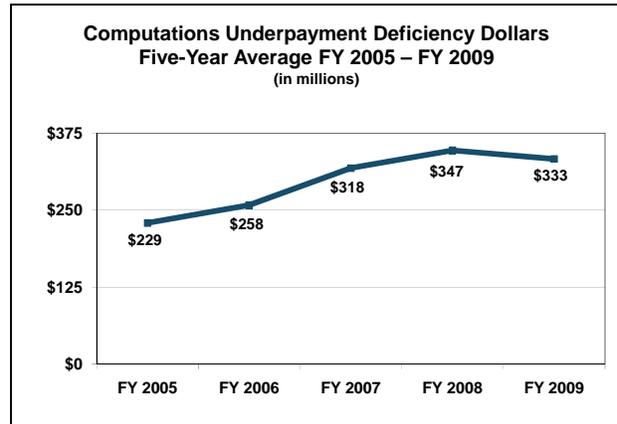
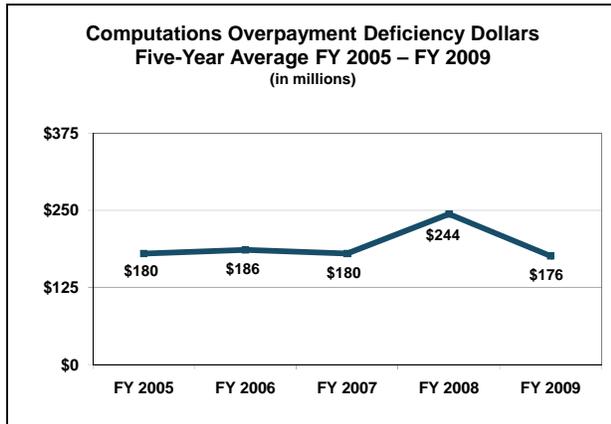
Computations

Description:

We base a person's benefit amount on a number of factors including age, earnings history, and the type of benefit awarded. Inaccurate information or administrative mistakes can cause errors in calculating benefits. There is a wide variety of causes for computation errors. For the FY 2005 through FY 2009 period, approximately 65 percent of the computation errors were underpayments, with the leading causes being Windfall Elimination Provision (WEP), re-computations, primary insurance amount, and delayed retirement credits. (Note: A definition of WEP can be found at: www.socialsecurity.gov/pubs/10045.html.) In terms of overpayment dollars for FY 2005 through

FY 2009, errors involving WEP were the leading cause of computational deficiency dollars. This type of error can result when we do not apply WEP appropriately to the beneficiary’s record. Overpayments often result when pension information is not provided timely. Nearly 62 percent of the overpayment computational deficiency dollars for the FY 2005 through FY 2009 period involved WEP.

Historical Figures:



Corrective Actions:

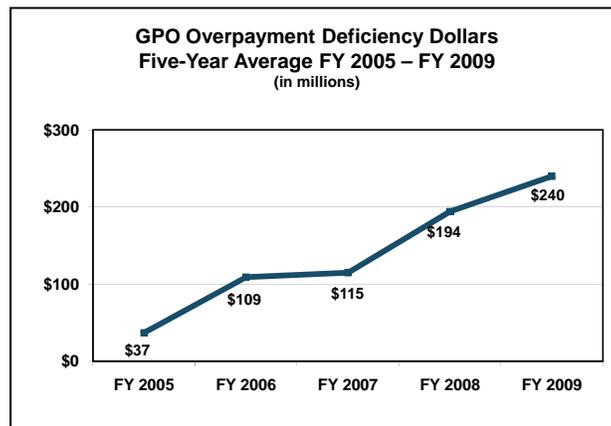
We conduct an ongoing match with the Office of Personnel Management (OPM) to identify Federal retirees receiving a Civil Service Retirement System (CSRS) pension.

Government Pension Offset

Description:

We may offset OASDI benefits for a spouse or surviving spouse if he or she receives a Federal, State, or local government pension based on work on which the spouse did not pay Social Security taxes. Errors occur when receipt of these types of pensions is not reported.

Historical Figures:



Other Accompanying Information

Corrective Actions:

We have taken the following steps to reduce improper payments caused by the non-reporting of government pensions:

- Conduct an ongoing match with the OPM to identify Federal retirees receiving a CSRS pension; and
- Included a legislative proposal in the President's FY 2011 budget to mandate State and local governments to report pensions based on non-covered earnings directly to SSA.

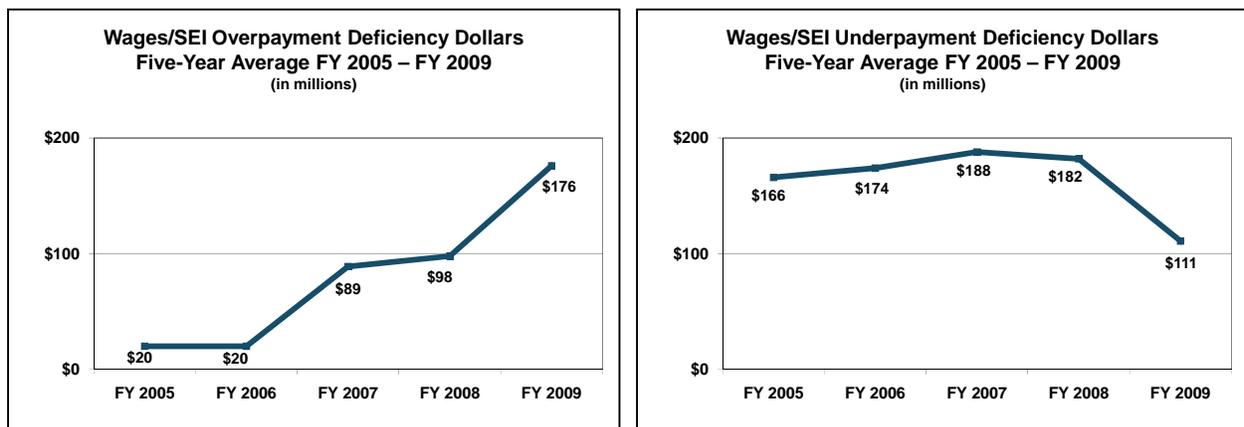
Wages/Self Employment Income

Description:

The earnings reported on a person's work history help determine the amount of monthly benefits that the worker or someone filing on that account will receive. When the earnings record does not accurately reflect the worker's earnings, there may be errors if the mistake goes undetected when the worker applies for benefits. For FY 2005 through FY 2009, errors based on wages/SEI were split almost evenly between underpayments and overpayments.

Wage discrepancies and scrambled earnings (earnings belonging to one worker post to another workers record) account for the largest percentage of earnings errors. Although earnings-related errors involve small dollars in each month of payment, they can have a substantial impact over the life of the claim.

Historical Figures:



Corrective Actions:

We have taken the following measures in an effort to reduce Wages/SEI-related errors:

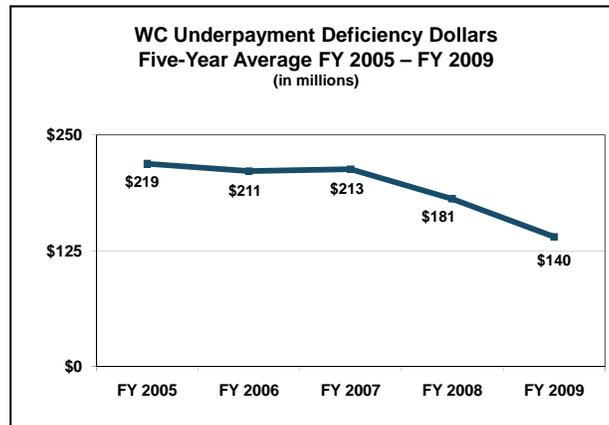
- In FY 2009, we modified our instructions to emphasize evidence needed for correcting earnings and eliminated development that has no effect on the accuracy of the earnings record.
- In FY 2010, we modified the Earnings Alert System to allow adjudicators to identify and develop those irregularities on the earnings record, which, when resolved, will most likely affect the workers benefit payment.

Workers' Compensation (WC)

Description:

If a person receives both WC and Social Security disability benefits, the total amount of these benefits cannot exceed 80 percent of his or her average current earnings before becoming disabled. If it exceeds that amount, we

reduce Social Security disability benefits until reaching the 80 percent threshold. Underpayments occur when the receipt of WC decreases or ceases, and we do not raise the disability benefit.

Historical Figures:**Corrective Actions:**

We took various actions to reduce improper payments caused by unreported changes in WC, including:

- Established the WC Policy Forum, which is an inter-component workgroup that addresses new WC policy issues to advance improvements needed in the WC workload.
- Updated all procedural instructions with a clear reorganized format, expanded information and guidance for developing WC evidence, incorporated regional instructions where appropriate, and added technical guidance on new software to improve the overall accuracy of the WC workload.
- Developing a computer matching agreement with the Department of Labor to obtain Federal Employee Compensation benefit data. This agreement will provide SSA with Federal WC information necessary to verify the accuracy of OASDI and SSI disability benefits.

IMPROPER PAYMENTS IN THE SSI PROGRAM

Table 4 features the improper payment rates for the SSI program for FYs 2007, 2008, and 2009. We calculate the overpayment rate by dividing overpayment dollars by dollars paid and the underpayment rate by dividing underpayment dollars by dollars paid.

Table 4: SSI Improper Payments Experience FY 2007 – FY 2009 (dollars in millions)			
	FY 2007	FY 2008	FY 2009
Total Payments			
Dollars	\$42,600	\$45,045	\$48,294
Underpayments			
Dollars	\$652	\$789	\$787
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.50%	1.80%	1.60%
Overpayments			
Dollars	\$3,900	\$4,648	\$4,040
Target Rate	≤4.30%	≤4.00%	≤4.00%
Actual Rate	9.10%	10.30%	8.40%
Notes:			
<ol style="list-style-type: none"> Total Payments represent estimated program outlays while conducting the payment accuracy reviews and may vary from actual outlays. The percentages and dollar amounts presented in Table 4 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding. The SSI amount for FY 2007 is adjusted because there were 11 payment months in FY 2007. However, the quality review is not affected by payment months, but rather by entitlement months. SSI statistical precision is at the 95% confidence level for all rates shown. Confidence intervals are: for FY 2007, ±0.4% for underpayments and ±1.9% for overpayments; for FY 2008, ±0.53% for underpayments and ±1.46% for overpayments; and for FY 2009, ±0.03% for underpayments and ±1.5% for overpayments. 			

Over the last five years (FYs 2005-2009), we paid over \$215.3 billion to SSI recipients. Of that total, we project \$18.3 billion was overpaid, representing 8.5 percent of outlays. We project that underpayments during this same period were \$3.7 billion, the equivalent of 1.7 percent of outlays.

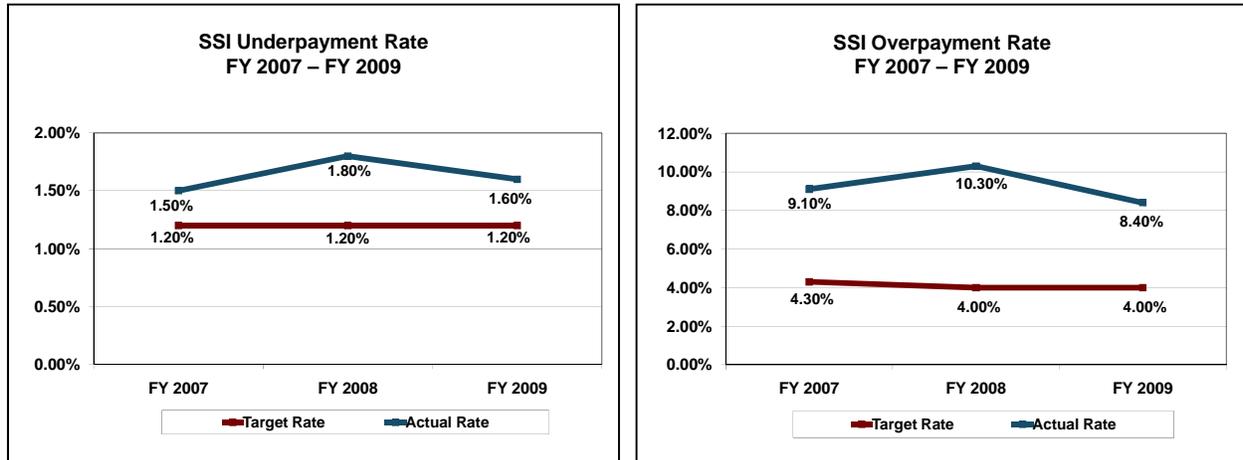


Table 5 presents our target accuracy goals for FYs 2010, 2011, and 2012 for the SSI program.

Table 5: SSI Improper Payments Reduction Outlook FY 2010 – FY 2012 (dollars in millions)						
	2010 Target		2011 Target		2012 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Payments	\$51,166		\$52,367		\$55,969	
Underpayments	\$614	1.2%	\$628	1.2%	\$672	1.2%
Overpayments	\$4,298	8.4%	\$4,189	8.0%	\$4,198	7.5%

Notes:

- Our Annual Performance Plan and Congressional Justification, issued in February 2010, reflect an FY 2010 SSI overpayment target rate of 9.0 percent. Because of the lag in producing actual performance data, we did not receive FY 2009 SSI overpayment accuracy data until June 2010. The increase in our FY 2009 accuracy rate prompted us to revise the FY 2010 SSI overpayment target to 8.4 percent.
- The FY 2010 and 2011 payment dollars represent estimated outlays as presented in the Mid-Session Review of the President’s FY 2011 Budget. The FY 2012 payment dollars are based on data from the assumptions in the FY 2011 Mid-Session Review. The SSI projection for FY 2011 is adjusted (from those presented in the Mid-Session Review) because there are 13 payment days in FY 2011. Similarly, the SSI projection for FY 2012 is adjusted (from what was estimated in the 2011 Mid-Session review process) because there are 11 payment days in FY 2012. However, the quality review is not affected by payment days, but rather by entitlement months.

Major Causes of SSI Improper Payments

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

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

Other Accompanying Information

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

- Wages
- Living Arrangement
- In-kind Support and Maintenance (ISM)

Table 6 lists these major causes of improper payments (overpayments and underpayments) in the SSI program using OMB's three categories of errors.

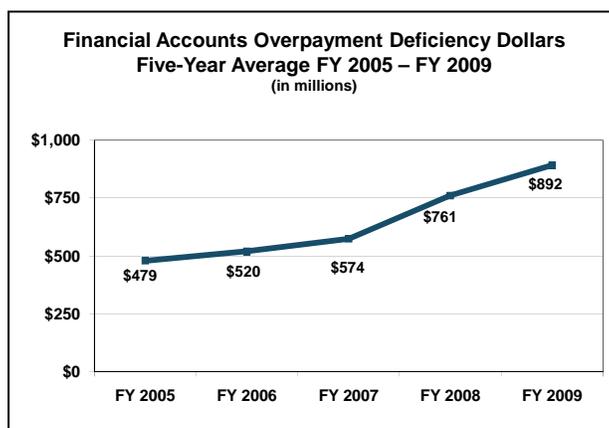
Table 6: Major Causes of SSI Improper Payments in FY 2009		
	% of Improper Payments	Major Types of Errors
Administrative and Documentation Errors	12%	Incorrect computations, misapplication of an income or resource exclusion, and wrong month of change
Authentication and Medical Necessity Errors	29%	Existence or changes to living arrangements and ISM
Verification and Local Administration Errors	59%	Detection of unreported financial accounts and wages

Financial Accounts

Description:

The applicant or recipient (or his or her parent or spouse) has financial accounts that exceed the allowable resource limits (\$2,000 individual/\$3,000 couple) that may result in periods of SSI program ineligibility.

Historical Figures:



Corrective Actions:

To reduce errors, we examined alternatives to the traditional SSI asset verification practices of beneficiary self-reporting and direct contacts with financial institutions. After considering the available options, the Access to Financial Institutions (AFI) program is one alternative that shows great promise:

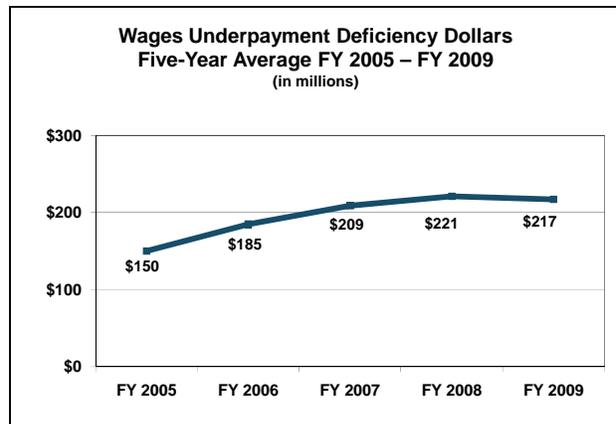
- The AFI program has proven to be very useful in the identification of previously undisclosed bank accounts, achieving an estimated \$10 in savings for every \$1 spent on the program. By automatically checking an applicant’s known bank accounts, and by selectively checking for unknown accounts with financial institutions in a given area, we reduced overpayments in areas where the program is currently active.
- With recently appropriated funds, we are implementing AFI nationwide. In FY 2010, we expanded the AFI program beyond New York, New Jersey, and California to 14 additional States: Alabama, Florida, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Montana, Nebraska, North Carolina, Ohio, Pennsylvania, Texas, and Washington. These States’ SSI beneficiaries comprise about two-thirds of all SSI beneficiaries.
- We expect lifetime program savings of over \$100 million in FY 2011 and up to \$1 billion in lifetime program savings each year when AFI is fully implemented.

Wages

Description:

The recipient (or his or her parent or spouse) has actual wages that are different from the wage amount used to calculate payment.

Historical Figures:



Corrective Actions:

Our efforts to reduce wage-related errors include:

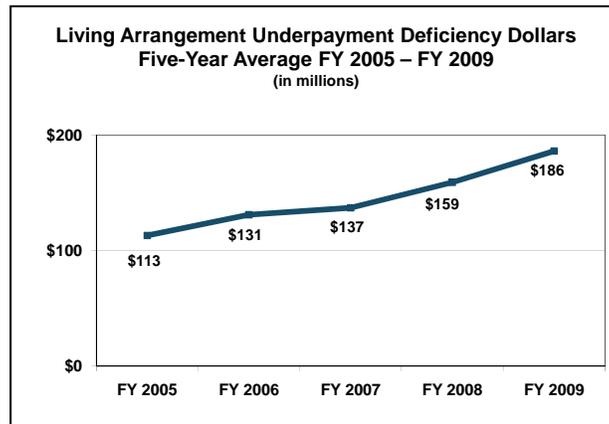
- In FY 2008, we implemented the SSI Automated Telephone Wage Reporting (SSITWR) system. The SSITWR system allows recipients (or their parent, spouse, or representative payee) to report their monthly wage amounts via a completely automated system that ensures the wage amount posts timely. SSITWR processes the report and updates the SSI payment amount prior to issuance of the SSI check.
- In FY 2009, we instituted a new policy that requires our employees to recruit SSI recipients (or their parent or spouse) or the representative payee to report monthly wage amounts using SSITWR. We continue to recruit additional reporters each month and, SSITWR successfully processed over 196,000 wage reports in FY 2010.

Living Arrangement

Description:

We paid the recipient as if he or she were living with someone else when the recipient actually qualified for a higher payment level, such as for those who live alone.

Historical Figures:



Corrective Actions:

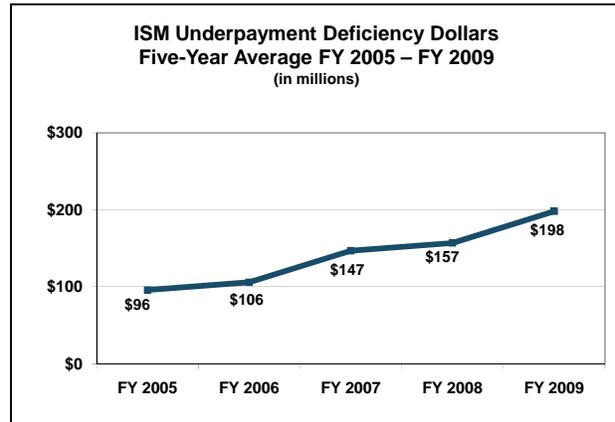
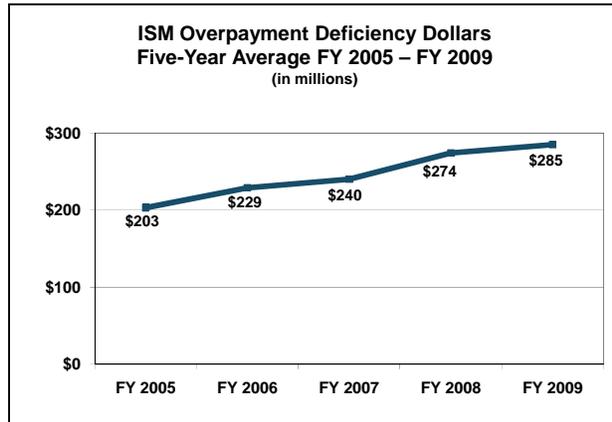
The following process enables us to reduce errors stemming from Living Arrangement information:

- The Office of Quality Performance (OQP) uses an automated system to identify cases where recipients have reduced benefits based on living with others. OQP then sends those highlighted cases to the Office of Operations, which forwards the information to the respective FOs to schedule redeterminations.
- OQP is in the process of expanding the living arrangement variables in the SSI Redetermination Scoring Model. The addition of these living arrangement variables to the model will reduce errors stemming from living arrangement information, and we expect to save at least \$200 million each year in the improved targeting of SSI redeterminations.

In-kind Support Maintenance (ISM)

Description:

ISM is unearned income in the form of food or shelter received, with underpayments occurring when the recipient's amount of ISM is less than the amount used to calculate payment. Overpayments can also occur when the recipient is receiving ISM that is not reported. Studies show that many of the errors attributed to ISM are due to the complexity of the statutory policies for the program. These policies are difficult for SSI recipients to understand, which makes it problematic for them to report changes to us in a timely manner. This complexity also means that seemingly small changes in a recipient's household can result in an overpayment or an underpayment.

Historical Figures:**Corrective Actions:**

Our efforts to reduce ISM-related errors include legislative proposals focused on ISM policy simplification. However, these provisions would typically increase SSI program costs substantially, or likely reduce benefits to SSI recipients for proposals that are cost neutral.

MEDICAL ASPECTS OF THE DI AND SSI PROGRAMS

State agencies are responsible for completing the medical determinations necessary at the initial claim, reconsideration, and continuing disability review stages of the disability process. Table 7 highlights the initial allowance, denial, and overall accuracy rates for FYs 2008 and 2009. We determine these rates by our quality assurance review of a sample of pre-effectuated initial claims. The accuracy rates are based on, not only the number of deficient cases, but also on whether the cited deficiency resulted in a change in the original DDS determination made on the case. For FY 2009, the combined allowance and denial goal for net accuracy was 97 percent.

Table 7: DDS Initial Claim Net Accuracy

Initial Claim Net Accuracy	FY 2008	FY 2009
Allowance	98.9%	99.1%
Denial	95.4%	95.5%
Combined	96.6%	96.8%

Note: The changes from FY 2008 to FY 2009 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). We use a logistic regression methodology to profile initial and reconsideration allowances, and cases falling within the established cut-off score constitute the PER sample. We review all sampled determinations, and return deficient cases to the adjudicating DDS for correction. For FY 2008, Title II PER was estimated to save \$504 million in lifetime OASDI, SSI, Medicare, and Medicaid payments, with a benefit/cost ratio of 10:1.

The *Social Security Act* now includes an extension of the PER review of favorable adult disability decisions to the SSI program. We are required to review 50 percent of adult allowances in the SSI program. For FY 2008, SSI PER was estimated to save \$89 million in lifetime SSI and Medicaid payments, with a benefit/cost ratio of 9:1.

USE OF PREDICTIVE MODELING IN THE SSI REDETERMINATION PROCESS

Since we do not have the resources to conduct an annual redetermination on every SSI recipient every year, we target annual SSI redeterminations by use of a statistical scoring model. This statistical model, which has been in place for nearly two decades, uses various income, resource, and living arrangement variables obtained from our SSI payments and claims processing systems to predict likely SSI overpayments and underpayments. Each year we identify claims for review based on the likelihood of error and prioritize the reviews based on allocated funds. The SSI redetermination scoring model is a highly effective tool for ensuring that the selection of SSI redeterminations is efficient and cost effective. In FY 2009 alone, completed SSI redeterminations resulted in prevention and recovery of about \$2.8 billion in SSI overpayments. SSA would have prevented and recovered only \$1.8 billion if random selection were used instead of the model.

IMPROPER PAYMENTS FOR ADMINISTRATIVE EXPENSES

We conducted an evaluation of our FY 2009 administrative expenses and determined that they were not susceptible to significant improper payments as defined by IPIA. In FY 2009, we obligated \$11.9 billion to administer the OASI, DI, and SSI programs. These costs largely consisted of payroll and benefits and included payments to State agencies for the DDSs and other administrative expenses, such as travel and rents. In FY 2009, we also had administrative expenses from the enactment of the *American Recovery and Reinvestment Act* (ARRA). These obligations include \$173 million in administrative expenses attributable to the Economic Recovery Payment (ERP) distributions, the construction and set-up of the National Support Center (NSC), as well as costs related to processing retirement and DI workloads.

Risk Assessment

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

Table 8: FY 2009 Administrative Expenses (dollars in millions)	
Payroll and Benefits*	\$5,740
State DDS	\$2,305
ARRA**	\$13,252
Other Administrative Expenses***	\$3,826
Total Administrative Payments	\$25,123
Notes:	
*Excludes \$150 million of ARRA Payroll Expenses	
**Includes \$173 million of expenses related to distributing ERP payments, construction and setup of the NSC, and the retirement and DI workload backlog.	
***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.	

We conducted a risk assessment on each of the categories in the table above and determined that our administrative payments are not at significant risk of 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 controls inherent in our administrative payment systems; and
- The strong internal control structure we have in place to prevent, detect, and recover improper administrative payments.

Combining this risk assessment with our strong internal controls, along with a number of financial audits that indicated no weaknesses in our process, we demonstrate that our administrative payments do not meet the criteria for further reporting to Congress or OMB.

RECOVERY AUDIT PROGRAM

OMB guidance states that agencies must 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 our administrative payments are not susceptible to significant improper payments, we have established an in-house recovery audit program for administrative contractual payments. This program addresses recovery issues related to recovering and limiting improper payments resulting from duplicate payments and overpayments (e.g., payment for goods/services not received, Federal exemption from certain sales and excise taxes, late payment charges, etc.).

Our in-house recovery audit program employs a number of tools to aid in the detection and recovery of improper overpayments, including:

- An automated query system to identify payments made to the same vendor, with the same invoice date, and for the same amount. This helps identify payments that represent a higher risk of being duplicate payments.
- A report to identify duplicate payments made through the third-party draft payment system and the accounts payable system.
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

Results from the 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 our existing controls for the prevention, detection, and collection of improper payments.

Program Scope

For FY 2009, the recovery audit program included a review of \$1,528 million of administrative contractor payments. We elected to exclude the following classes of contracts from the scope of the recovery audit:

- Incomplete cost-type contracts where payments are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms and conditions 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.

Other Accompanying Information

We identified total improper payments of \$1,531,110, which equates to approximately 0.10 percent of total payments subject to review for current year reporting. Of the improper payments identified, only \$7,178 remains uncollected for the current year. These results further validate our existing controls for prevention, detection, and collection of administrative improper payments.

Table 9: FY 2009 Recovery Auditing Results
(dollars in millions)

Agency Component	Amount Subject to Review for Current Year (CY) Reporting	Actual Amount Reviewed and Reported CY	Amounts Identified for Recovery CY	Amounts Recovered CY	Amounts Identified for Recovery Prior Years (PY)	Amounts Recovered PYs	Cumulative Amounts Identified for Recovery (CY + PYs)	Cumulative Amounts Recovered (CY + PYs)
Administrative Expenses	\$1,528	\$1,367	\$1,531	\$1,524	\$5,835	\$5,835	\$7,366	\$7,359

AGENCY INFORMATION SYSTEMS TO REDUCE IMPROPER PAYMENTS

The Comprehensive Integrity Review Process (CIRP) supports our stewardship responsibility to assure the accuracy of benefit payments and to protect personal information maintained in our programmatic systems. This system enables us to fulfill our obligation to comply with Federal laws such as the *Federal Managers Financial Integrity Act*, which mandates an internal system of controls. In addition to this, CIRP also follows the guidelines contained in our Integrity Review Handbook (IRH). The CIRP system automatically selects potentially fraudulent cases based on pre-defined criteria. Managers then review and certify case selections based on guidance contained in the IRH and their knowledge of programmatic systems. After this, managers certify that the actions taken by the employee were for legitimate business purposes and not for personal or potentially fraudulent gains.

STATUTORY AND REGULATORY BARRIERS TO REDUCING IMPROPER PAYMENTS

We continuously develop legislative proposals to improve administration and integrity of the OASI, DI, and SSI programs. The President's FY 2011 budget includes 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 stems, in any part, from work 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 non-covered work in a more timely and consistent manner, and the proposal would thereby improve our stewardship over the program and the Social Security Trust Funds.

AGENCY EFFORTS TO COLLECT OVERPAYMENTS IN THE OASI, DI, AND SSI PROGRAMS

We collected \$3.14 billion in OASDI and SSI benefit overpayments in FY 2010. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding and billing/follow-up), as well as the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

From their inception through September 2010, these initiatives have yielded over \$3.404 billion in benefits recovered through a combination of overpayment recovery and prevention improvements. Table 10 provides a description of each of our key debt management initiatives, and a summary of the results since their inception.

We developed a system to handle the Treasury Offset Program (TOP), credit bureau reporting, and Administrative Wage Garnishment. Because the system covers more than TOP, and will be the basis for any future collection interfaces with agencies or entities outside our agency, we call it the External Collection Operation (ECO) system.

Continued improvement in the agency's debt collection program is also underway. In July 2010, we expanded our use of TOP by implementing Phase I of the ECO Enhancements Project. Phase I enables us to collect delinquent SSI debts from a population of debtors previously excluded from the automated ECO selection process. As systems resources permit, we will continue to enhance ECO by implementing Phases II and III of the ECO Enhancement Project. Phase II will allow us to collect delinquent debts by offsetting Federal payments through TOP beyond the current 10-year statute of limitation, as authorized by Public Law 110-246 and 31 USC 3716. Phase III will allow us to collect delinquent debts by offsetting applicable State payments through TOP.

We will also continue to seek the resources to expand the Non-Entitled Debtor program and implement the remaining debt collection tools authorized by the DCIA. They include interest charging or indexing a debt to reflect its current value, administrative fees, and the use of private collection agencies. Table 10 on the next page lists some examples of our collection techniques.

Table 10: Cumulative Programmatic Debt Recovery Methods Through FY 2010
(dollars in billions)

Recovery Method	Inception	Description	OASDI	SSI	TOTAL
TOP	1992	TOP is a debt collection program sponsored by the Department of Treasury that allows us to collect delinquent debt by Tax Refund Offset, Administrative Offset, and Federal Salary Offset. We collected \$157.7 million in FY 2010 through these initiatives.	\$1.089	\$0.726	\$1.815
Credit Bureau Reporting	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to Credit Bureaus. Credit Bureau reporting contributed to the recovery of \$59.3 million in FY 2010.	\$0.332	\$0.255	\$0.587*
Cross Program Recovery (CPR)	2002	CPR recovers OASDI overpayments from SSI underpayments, and SSI overpayments from monthly OASDI benefit payments.	\$0.083	\$0.567	\$0.650
Non-Entitled Debtors (NED)	2005	NED is an automated system that we use to control recovery activity for debts owed by debtors who are not entitled to benefits, such as representative payees who receive overpayments after the death of a beneficiary. We used the NED system to recover \$3.5 million in FY 2010.	\$0.019	N/A	\$0.019**
Administrative Wage Garnishment (AWG)	2005	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15% of the debtor's private sector disposable pay. We collected \$19.1 million through this process during FY 2010.	\$0.060	\$0.014	\$0.074
Automatic Netting – SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" \$134.9 million in FY 2010.	N/A	\$0.865	\$0.865
Total			\$1.232	\$2.172	\$3.404

Notes:

*Credit Bureau Reporting is a subset of TOP collections, and thus is not included in the overall total at the bottom of the chart.

**Non-Entitled Debtors is a subset of TOP and AWG collections, and thus is not included in the overall total at the bottom of the chart.

ECONOMIC RECOVERY PAYMENTS

ARRA 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, subject to certain other eligibility criteria set forth in the ARRA, he or she is 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 authorizes us to make payments through December 31, 2010. As of September 30, 2010, we have made over 53 million ERPs totaling over \$13.2 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.
- 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.

To further support our determination that these ERPs were low risk payments and not susceptible to improper payments, we received only 46,991 (.09 percent) claims of non-receipt and 326 (.0006 percent) double check negotiations (i.e., cases where the recipient cashed both the original and replacement ERP check) out of over 53 million payments to date.

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