SOCIAL SECURITY

MEMORANDUM

Date: May 18, 2010

Refer To: S1N

To: Patrick P. O'Carroll
Inspector General

From: Michael J. Astrue
Commissioner

Subject: Annual Report—Executive Order 13520, Reducing Improper Payments—INFORMATION

As the Social Security Administration's Accountable Official for improper payments, I am pleased to submit our first annual report on Reducing Improper Payments, in compliance with Executive Order 13520 (attached). This directive implements a multi-year plan to enhance governmentwide program integrity efforts. It challenges agencies to identify and eliminate the most significant causes of improper payments, to provide public transparency by allowing scrutiny of improper payments, and to develop targets for reducing them.

We fully support the President's initiative. We pay nearly $60 billion in benefits each month to over 60 million Americans. It is our duty to be good stewards of taxpayer dollars as we administer benefit payments that provide economic stability for so many people. We must ensure that we pay eligible beneficiaries the right amount and preserve the public's trust in our programs. Preserving public trust is so important that we made it one of our four strategic goals in our current Agency Strategic Plan.

One initiative, highlighted in our strategic plan and also included as one of our improper payments supplemental measures, is to expand the use of Supplemental Security Income (SSI) Telephone Wage Reporting. This initiative provides a convenient telephone option that automates wage reporting for the SSI program. I am happy to report that we have surpassed our June 2010 target to experience 20,000 successful participants in the initiative. As of March 31, 2010, participation is just over 22,000. This is an example of one way we are trying to reduce improper payments--providing our beneficiaries with simple and clear technology that allows them to easily report wages and ensure they receive accurate benefit payments.

As required by the Executive Order, this report contains our:

- Methodology for identifying and measuring our improper payments in our high-priority programs;

- Plan, with supporting analysis, for meeting the reduction targets for improper payments in our high-priority programs; and

- Plan, with supporting analysis, for ensuring that initiatives undertaken pursuant to the Executive Order do not unduly burden program access and participation by eligible beneficiaries.

Please refer any questions concerning this report to Michael Gallagher, Deputy Commissioner for Budget, Finance and Management, at extension 53148.

Attachment

cc:
Executive Staff

Social Security Administration (SSA)
Accountable Official's Annual Report
Executive Order 13520, Reducing Improper Payments

Introduction

This report fulfills the requirements of sections 2(b) (iv), 3(b), and 3(f) of Executive Order 13520, Reducing Improper Payments, signed by the President on November 20, 2009, and Office of Management and Budget (OMB) Circular A-123, Part III, Appendix C, issued March 22, 2010. The Executive Order and supporting OMB guidance require all agencies with high-priority programs to submit a report to its Inspector General (IG) by May 19, 2010, containing the agency's:

- Methodology for identifying and measuring improper payments in our high-priority programs.
- Plan, with supporting analysis, for meeting the reduction targets for improper payments in our high-priority programs, consisting of these elements:
    - Root causes of error in the program;
    - Corrective actions the agency is implementing and their full implementation date;
    - The types of errors the corrective actions will address and their expected impact;
    - The anticipated costs of the corrective actions and their likely return on investment; and
    - An explanation of the program's performance in meeting its reduction targets.
- Plan, with supporting analysis, for ensuring that initiatives undertaken pursuant to the Executive Order do not unduly burden program access and participation by eligible beneficiaries.
- Identified high-dollar improper payments as well as the agency's actions to recover improper payments.
- Targets for reducing improper payments, where appropriate.

Background

We have a well-deserved reputation for sound financial management. We take our stewardship responsibility very seriously and have established agency performance measures aimed at preventing and detecting improper payments and collecting debt efficiently. Curbing improper payments is one of our strategic objectives.

We annually report in our Performance and Accountability Report (PAR) improper payment findings (both overpayments and underpayments) from our stewardship reviews of the nonmedical aspects of the Retirement and Survivors Insurance (RSI), Disability Insurance (DI), and Supplemental Security Income (SSI) programs. We also use data from these reviews to plan corrective action and monitor performance as required by the Government Performance and Results Act of 1993.

Designation of High Priority Programs

The Retirement, Survivors, and Disability Insurance (RSDI) and SSI programs are high-priority programs according to OMB's determination that any program with $750 million in improper payments in Fiscal Year (FY) 2009 meets the threshold for reporting improper payments. However, we need to establish supplemental measures and targets only for SSI because RSDI payment accuracy is below OMB's threshold of payment errors below 2 percent of program outlays. The FY 2009 error rates for RSDI overpayments and underpayments were 0.37 percent and 0.09 percent, respectively, of program payments. Please see Appendix A for definitions of improper payments, high priority programs, and payments susceptible to improper payments.

On April 22, 2010, we confirmed with OMB that we are not required to establish supplemental measures and targets for RSDI. However, we will fulfill other transparency-related reporting; e.g., describing root causes of overpayments and underpayments and reporting high-dollar improper overpayments.

Our Limitation on Administrative Expenses (LAE) appropriation, which funds our administrative payments, is not a high-priority program because of our payment accuracy; therefore, no additional measures or targets are required. The FY 2008 payment error rate was 0.05 percent out of $1.5 billion in administrative payments.

Retirement, Survivors, and Disability Insurance

Overview

The RSDI program provides monthly benefits to retired individuals. We also pay dependent benefits to the spouse and minor children of the retired individual, and in the event of death, survivors benefits are paid to the deceased's family. We also pay benefits to individuals who cannot work because they have a medical condition expected to last at least 1 year or result in death.

Stewardship Reviews

Our Annual Performance Plan includes an RSDI payment accuracy performance measure. We use stewardship reviews to measure the accuracy of payments to beneficiaries in current payment status. Each month, we review about 88 RSI cases and about 45 DI cases to determine payment accuracy rates. For each case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all nonmedical factors of eligibility as of the sample month. We input the findings to a national database for analysis and report preparation.

Stewardship review findings provide the data necessary to meet the Improper Payments Information Act (IPIA) reporting requirements, as well as other reports to monitoring authorities. The RSDI payment accuracy rates developed in the stewardship review reflect the accuracy of payments issued to RSDI beneficiaries currently on our rolls. In addition to the combined payment accuracy rates for RSDI, we calculate separate rates for RSI and DI. We also provide payment accuracy rates for the current and previous reporting periods.

Historical Improper Payment Rates

Historically, we review the RSI and DI programs separately. However, for purposes of coordinating with OMB for governmentwide reporting, we also combine the RSI and DI accuracy results. Likewise, we determine improper payment targets for RSDI rather than separately for RSI and DI.

The chart below shows the historic improper payment experience for our RSI, DI, and RSDI benefit programs for FYs 2006 – 2009. We calculate the overpayment rate by dividing overpayment dollars by dollars paid. We also calculate the underpayment rate by dividing underpayment dollars by dollars paid. However, there may be differences in the calculated underpayment and overpayment rates due to rounding. The percentages and dollar amounts presented in the table are correct based on actual numbers used from the source data.

Improper Payments Experience FY 2006 – FY 2009 ($ in millions)								
	FY 2006		FY 2007		FY 2008		FY 2009	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
RSI								
Total Payments	**$454,300**		**$479,500**		**$502,692**		**$544,478**	
Underpayment Error	**$238**	**0.05%**	**$580**	**0.12%**	**$334**	**0.07%**	**$428**	**0.08%**
Overpayment Error	**$948**	**0.21%**	**$345**	**0.07%**	**$841**	**0.17%**	**$841**	**0.15%**
DI								
Total Payments	**$90,700**		**$97,300**		**$104,500**		**$115,087**	
Underpayment Error	**$442**	**0.49%**	**$175**	**0.18%**	**$160**	**0.15%**	**$191**	**0.17%**
Overpayment Error	**$877**	**0.97%**	**$864**	**0.89%**	**$1,200**	**1.12%**	**$1,706**	**1.48%**
RSDI								
Total Payments	**$545,000**		**$576,800**		**$607,210**		**$659,565**	
Underpayment Error	**$680**	**0.12%**	**$754**	**0.13%**	**$495**	**0.08%**	**$619**	**0.09%**
Underpayment Target		**0.2%**		**0.2%**		**0.2%**		**0.2%**
Overpayment Error	**$1,824**	**0.33%**	**$1,209**	**0.21%**	**$2,041**	**0.34%**	**$2,547**	**0.37%**
Overpayment Target		**0.2%**		**0.2%**		**0.2%**		**0.2%**

Notes:

1. **Total Payments represent estimated program outlays while conducting the payment accuracy stewardship 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. **RSI statistical precision is at the 95 percent 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; for FY 2008, +0.06% and -0.04% for underpayments and +0.16% and -0.12% for overpayments; and for FY 2009, +0.05% and -0.15% for underpayments and +0.15% and -0.17% for overpayments;**
4. **DI statistical precision is at the 95 percent 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; for FY 2008, +0.14% and -0.12% for underpayments and ±0.91% for overpayments; and for FY 2009, +0.17% and -0.15 for underpayments and +1.33% and – 1.33%% for overpayments.**

Improper Payment Goals

In the RSDI program, our goal is to maintain accuracy at 99.8 percent for both overpayments and underpayments. The chart below details the RSDI target accuracy goals for FYs 2010 – 2012.

Improper Payments Targets FY 2010 – FY 2012 ($ in millions)						
	2010 Target		2011 Target		2012 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
RSDI						
Total Payments	**$697,169**	**100%**	**$723,868**	**100%**	**$755,826**	**100%**
Underpayments	**$1,394**	**0.2%**	**$1,447**	**0.2%**	**$1,511**	**0.2%**
Overpayments	**$1,394**	**0.2%**	**$1,447**	**0.2%**	**$1,511**	**0.2%**

Notes:

1. **We do not have separate RSI and DI targets (goals); therefore, we present a combined RSI and DI target.**
2. **The FYs 2010, 2011, and 2012 payment dollars represent estimated outlays as presented in the President's FY 2011 Budget. The SSI projections for FYs 2011 and 2012 are adjusted (from those presented in the President's FY 2011 Budget) 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.**

We will coordinate with OMB to determine RSDI payment accuracy goals for FY 2013 and publish these targets in the FY 2010 PAR in November 2010.

Major Causes of Improper Payments

In the table below, we list the major causes of RSDI overpayment and underpayment dollars for FYs 2004 - 2008. These dollar amounts represent the annual averages for the 5-year period. Please see Appendix B for the complete list of RSDI improper payment causes.

Major RSDI Error Dollar Overpayments ($ in Millions)		
Substantial Gainful Activity (SGA)	$949.4	When a disability beneficiary works, a number of factors determine whether or not the individual can continue to receive monthly benefits. After completing a 9-month trial work period, we do not pay a beneficiary for months when earnings exceed SGA thresholds. Errors occur when beneficiaries fail to report earnings timely or when we do not timely withhold monthly benefit payments.

Major RSDI Error Dollar Overpayments, Cont'd ($ in Millions)		
Computations	$243.6	We determine an individual's benefit amount by a number of factors considering age, earnings history, and the type of benefit awarded. Inaccurate information or administrative mistakes can cause errors in calculating benefits.
Government Pension Offset (GPO)	$193.8	We may offset RSDI 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 are not reported.
Relationship/ Dependency	$122.4	We pay some benefits based on the beneficiary's relationship to or dependency for support on the number holder. Overpayments occur when these conditions change and are not reported timely. Examples are remarriage, termination of a marriage, child not actually being in-care, and students who were not in full-time attendance.

Major RSDI Error Dollar Underpayments ($ in Millions)		
Computations	$347.0	We determine an individual's benefit amount by a number of factors considering age, earnings history, and the type of benefit awarded. Inaccurate information or administrative mistakes can cause errors in calculating benefits.
Wages/Self-Employment Income (SEI)	$182.0	The earnings reported on an individual's work history help determine the amount of monthly benefits that the individual or someone filing on that account will receive. When the earnings record does not accurately reflect the individual's earnings, errors can occur if the mistake goes undetected when the individual applies for benefits.
Workers' Compensation (WC)	$181.2	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 adjust the disability benefit.

Corrective Actions

Although SGA is strictly an issue for DI cases, errors attributed to SGA accounted for nearly half of all RSDI overpayment error 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 2004-2008, SGA accounted for about 35 percent of total RSDI error dollars. Since SGA accounts for a majority of RSDI overpayment error, we focus the description of our corrective action on that error category.

The process for making SGA determinations has inherent delays that contribute to the magnitude of the overpayments. For the 5-year period covering FY 2004 - 2008, 78 percent of the error dollars associated with SGA errors resulted from the beneficiaries' failure to report their work activity. The remaining 22 percent of error dollars were associated with our failure to schedule a work continuing disability review (CDR) following the beneficiary's notifying us of a return to work.

To address the "failure to report" issue, we are reviewing the cases of beneficiaries with recent work activity to determine improvements in the work verification process. We will examine when in the process we generate work alerts, what we do with them, how long it takes, and what the final results yield. Currently, many invalid work alerts are generated that result in additional work for our employees. In addition, we do not initiate requests for work development until an agency 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.

To address those overpayments caused by failure to perform a work CDR, we plan to develop and pilot ways to simplify the work CDR process and improve the operational process 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 a 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.

Supplemental Security Income

Overview

The SSI program is a means-tested program for elderly individuals, as well as blind or disabled adults and children, who have limited income and resources. SSI is complex because eligibility and monthly payment amounts are highly sensitive to fluctuations in monthly income, resources, and living arrangements. Improper payments often occur if recipients, or their representative payees, fail to report changes timely in any of these factors; e.g., the establishment of, or increase in a financial account balance or an increase or decrease in wages. Failure to report these

payment-affecting changes is the primary cause for both overpayment and underpayment errors and has been a perennial problem since the inception of the SSI program.

Stewardship Reviews

For the SSI program, we derive the accuracy rates based on data from the review of SSI cases with a payment made in at least 1 month of the FY under review. We select cases monthly. For the FY 2008 stewardship review, we reviewed 4,290 cases. We interview selected SSI recipients or representative payees and redevelop the nonmedical factors of eligibility to determine whether the payment made was correct. Any difference between what was actually paid and what the quality review determines should have been paid is expressed as an overpayment or underpayment error. The overpayment and underpayment accuracy rates are calculated and reported separately.

Historic Improper Payment Rates

The chart below shows the historic improper payment experience for the SSI program for FYs 2006 – 2009. We calculate the overpayment rate by dividing overpayment dollars by dollars paid. We calculate the underpayment rate by dividing underpayment dollars by dollars paid. However, there may be differences in the calculated underpayment and overpayment rates due to rounding. The percentages and dollar amounts presented in the table below are correct based on actual numbers used from the source data.

With respect to payment accuracy, our greatest challenge is SSI overpayments. In FY 2008, the SSI overpayment accuracy rate was 89.7 percent, the lowest rate since the early days of the program. With additional resources for program integrity, we increased the volume of redeterminations of eligibility we conducted in FY 2009. As a result, the overpayment accuracy for FY 2009 has risen to 91.6 percent, which is a statistically significant improvement over the FY 2008 rate. This increase is encouraging news and demonstrates the value of additional funding for program integrity efforts.

The SSI underpayment accuracy rate is consistently high. The change in underpayment accuracy from 98.3 percent in FY 2008 to 98.4 percent in FY 2009 is not statistically significant. The 5-year underpayment trend is relatively stable. The difference in underpayment accuracy between FY 2005 at 98.6 percent and FY 2009 at 98.4 percent is not statistically significant.

Improper Payments Experience FY 2006 – FY 2009 ($ in millions)								
	FY 2006		FY 2007		FY 2008		FY 2009	
	Dollars	Rate	Dollars	Rate	Dollars	Rate	Dollars	Rate
SSI								
Total Payments	**$40,328**		**$42,600**		**$45,045**		**$48,300**	
Underpayment Error	**$896**	**2.2%**	**$652**	**1.5%**	**$789**	**1.8%**	**$787**	**1.6%**
Underpayment Target		**1.2%**		**1.2%**		**1.2%**		**1.2%**
Overpayment Error	**$3,193**	**7.9%**	**$3,900**	**9.1%**	**$4,648**	**10.3%**	**$4,040**	**8.4%**
Overpayment Target		**4.6%**		**4.3%**		**4.0%**		**4.0%**

Notes:

1. **Total Payments represent estimated program outlays while conducting the payment accuracy stewardship 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. **SSI statistical precision is at the 95 percent 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; for FY 2008, ±0.53% for underpayments and ±1.46% for overpayments; and for FY 2009, +0.3% and -0.3% for underpayments and +1.5% and -1.5% for overpayments.**

Improper Payment Goals

For the SSI program, our goal is to achieve an underpayment accuracy rate of 98.8 percent and an overpayment accuracy rate of 96 percent for FYs 2010 – 2012. The chart below details the target SSI accuracy goals for FYs 2010 – 2012.

Improper Payments Targets FY 2010 – FY 2012 ($ in millions)						
	2010 Target		2011 Target		2012 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
SSI						
Total Payments	**$51,188**	**100%**	**$52,440**	**100%**	**$56,059**	**100%**
Underpayments	**$614**	**1.2%**	**$629**	**1.2%**	**$673**	**1.2%**
Overpayments	**$2,047**	**4.0%**	**$2,098**	**4.0%**	**$2,242**	**4.0%**

Note:

The FYs 2010, 2011 and 2012 payment dollars represent estimated outlays as presented in the President's FY 2011 Budget. The SSI projections for FYs 2011 and 2012 are adjusted (from those presented in the President's FY 2011 Budget) 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.

Major Causes of Improper Payments

The following tables contain the major causes of SSI overpayment and underpayment dollars for FY 2004 - FY 2008. These dollar amounts represent the annual averages for the 5-year period. Please see Appendix B for a complete list of SSI improper payment causes.

Major SSI Error Dollar Overpayments ($ in Millions)		
Financial Accounts	$761	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.
Wages	$656	The recipient (or his or her parent or spouse) has actual wages that exceed the wage amount used to calculate payment.
In-Kind Support and Maintenance	$274	In-kind support and maintenance is unearned income in the form of food or shelter received. The error results when the recipient's amount of in-kind support and maintenance is less than the amount used to calculate payment.

Major SSI Error Dollar Underpayments ($ in Millions)		
Wages	$221	The recipient (or his or her parent or spouse) has actual wages that are less than the wage amount used to calculate payment.
Living Arrangement "A"	$159	We paid the recipient as if he or she were living with someone else when in fact, the recipient qualifies for a higher payment level, such as for those who live alone.
In-Kind Support and Maintenance	$157	In-kind support and maintenance is unearned income in the form of food or shelter received. The error results when the recipient's amount of in-kind support and maintenance is less than the amount used to calculate payment.

Reduction Targets

In compliance with the Executive Order 13520, we developed new SSI supplemental measures and targets that OMB approved on April 15, 2010. We focused on the two consistently highest error categories for SSI: excess financial accounts and wages. Therefore, we established four supplemental targets contained in the chart on the following page. Three targets address financial account errors using the Access to Financial Institutions (AFI) initiative. The other new measure targets wage reporting errors by increasing the usage of the SSI Automated Telephone Wage Reporting System (SSITWR).

SSI - Supplemental Measures and Targets			
Type of Error	**Targets**	**Current Status**	**Next Status Update**
Overpayment due to Undisclosed Financial Accounts			
Cause: The applicant or recipient has financial accounts that exceed the allowable resource. **Error Amount:** $1,387 million (25.4% of projected error dollars) as of FY 2008.	By 9/30/2010, increase usage of the AFI initiative to 35,000 transactions per month	15,000 transactions per month	5/31/2010
	By 9/30/2010, expand AFI to 14 additional States	Exists in 3 States (California, New Jersey, and New York)	9/30/2010
	Projected program savings of over $100 million in FY 2011 and up to $1,000 million when AFI is fully implemented	This process is new so no prior data exists	9/30/2010
Overpayment due to Unreported Wages			
Cause: The recipients fail to report their new or increased wages. **Error Amount:** $884 million (16.2% of projected error dollars) as of FY 2008.	In FY 2010, increase the number of monthly reporters participating in the SSITWR initiative to 20,000	22,103 monthly reporters[1] as of 3/31/2010	6/30/2010

[1]This represents the number of successful wage reports. During this same time period, we experienced 24,107 unique wage reporting participants using SSITWR.

Access to Financial Institutions

AFI is an electronic process that verifies bank account balances with financial institutions for purposes of determining SSI eligibility. In addition to verifying alleged accounts, AFI detects undisclosed accounts by using a geographic search to generate requests to other financial institutions nearest the residence address. We use this process in three States: New York, New Jersey and California. AFI's purpose is to address a leading cause of SSI overpayment errors: excess resources in financial accounts. Dependencies exist to achieve these targets, e.g., successful award of a contract in June 2010 to expand AFI to 14 States, recruitment of additional financial institutions as participants in the program and modifying the SSI system to electronically integrate with the vendor's AFI information.

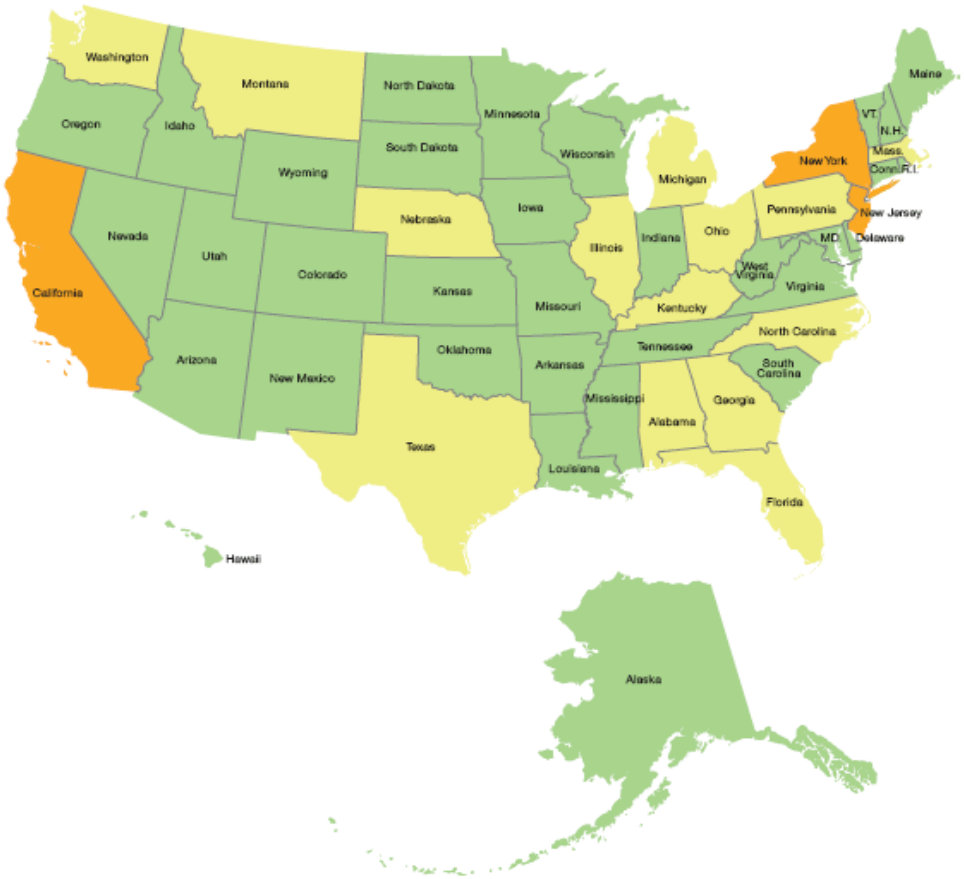
Using the AFI system, our vendor handles the request for, and receipt of, information from financial institutions, thus automating the financial balance verification process for the field offices. By automatically checking an applicant's or recipient's known bank accounts, and by systematically checking for unknown accounts with financial institutions in a given area, the AFI program helps us avoid many common payment errors.

Quick Facts - AFI	
Current Status	*We use AFI in California, New Jersey, and New York*
Rollout	*We will expand AFI to 14 additional States in FY 2010, 65% of all SSI recipients are represented through these States*
Program Value	*Estimates show almost $10 in savings for every $1 spent on the program*
Program Savings Estimates	*Expect to save $100 million in FY 2011 and up to $1,000 million once the national rollout is complete*

We will expand the AFI process in several stages. By the end of FY 2010, through a new contract award, we will support an additional 14 States using AFI. In December 2010, we plan to implement the first major step toward fully integrating AFI with our automated SSI claims system, Modernized Supplemental Security Income Claims System (MSSICS). This first stage will provide revised claims screens that automatically pre-fill the information required to submit financial institution requests. Subsequent MSSICS enhancements will increasingly automate the analysis and processing of the account information received from financial institutions. Expansion of AFI to additional States will continue in FY 2011, leading to eventual support nationwide.

We received $34 million in FY 2010 to fund AFI expansion. The President's FY 2011 budget includes another $10 million to implement AFI in all States. The following chart shows current use of AFI, targeted expansion by State, and how that expansion covers the SSI population.

Access to Financial Institutions Roll-Out by State



GROUP ONE:	28% of SSI population is represented in those States.	**States Included:** California, New York, New Jersey
GROUP TWO:	To be implemented by 9/30/2010 - 65% of SSI population is represented in these States.	**States Included:** Alabama, Florida, Georgia, Illinois, Kentucky, Massachusetts, Michigan, Montana, Nebraska, North Carolina, Ohio, Pennsylvania, Texas, Washington
GROUP THREE:	To be implemented by 9/30/2011 - 100% of SSI population is represented in these States.	**States Included:** Alaska, Arizona, Arkansas, Colorado, Connecticut, Delaware, Hawaii, Idaho, Indiana, Iowa, Kansas, Louisiana, Maine, Maryland, Minnesota, Mississippi, Missouri, Nevada, New Hampshire, New Mexico, North Dakota, Northern Marina Islands, Oklahoma, Oregon, Rhode Island, South Carolina, South Dakota, Tennessee, Utah, Vermont, Virginia, Washington D.C., West Virginia, Wisconsin, Wyoming

Supplemental Security Income Automated Telephone Wage Reporting

SSI recipients must report their own earnings and the earnings of others in the household whose incomes are considered in determining an SSI payment. Changes in the amount of wages received by an SSI recipient or deemor (i.e., ineligible spouse or parent) may affect the recipient's payment amount or eligibility status.

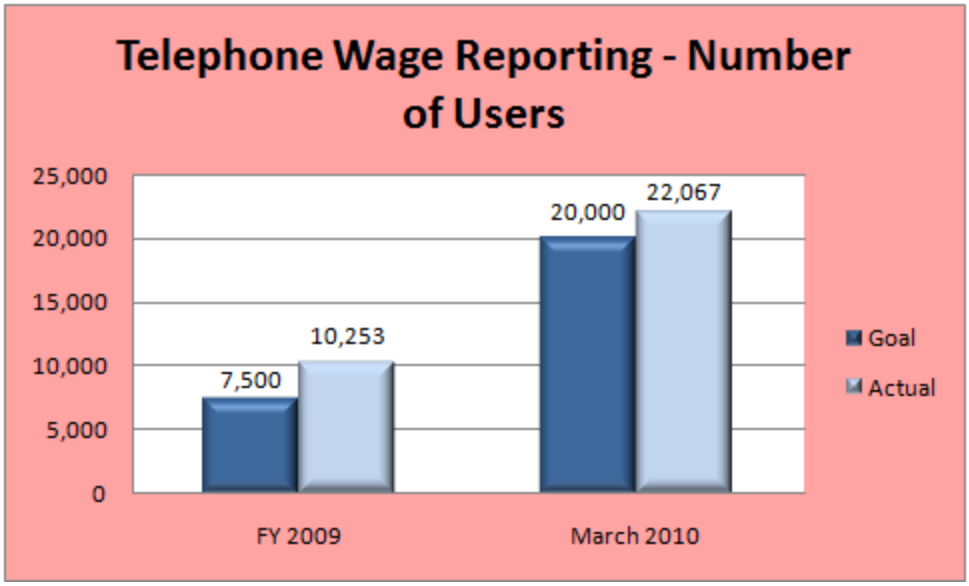
Stewardship data indicates that wage-related overpayment dollars result from fluctuating income and failure to timely report an increase in wages to us. In an effort to make this process easier for both the recipients and our employees, we created the SSITWR system. Through the SSITWR program, individuals can now call a dedicated agency telephone number to report their wages via a voice-recognition system. We issue a receipt anytime an individual reports his or her wages, as required by section 202 of the *Social Security Protection Act* enacted in 2004.

We previously conducted two automated monthly telephone wage reporting pilots to determine the potential for reducing overpayments due to unreported changes in wages. The first pilot, conducted during FYs 2003-2004, used a PIN/password authentication process that some recipients found difficult to navigate. The second pilot, conducted during FY 2006, used a knowledge-based authentication system that focused on personal identifying information and used both touch-tone and voice recognition technology to collect the report. This information was then passed automatically to the SSI system.

The second pilot was successful and in September 2007, OMB authorized implementation of SSITWR. In October 2009, we began requiring our field offices to recruit all recipients, deemors, and representative payees to report their wages via SSITWR. We document the recruitment discussion on a MISSICS screen or paper form SSA-5002 Report of Contact for cases outside of MISSICS.

Telephone wage reports are highly accurate. The dollar accuracy of reported wages using SSITWR was 92.2 percent. In contrast, the dollar accuracy of the wage estimates on the Supplemental Security Record before the reports was 75.5 percent.

Quick Facts - SSITWR	
Current Status	*Program is available nationwide*
Ease of Use	*Voice-recognition software is used, both a participant training package and instructional CD-ROMs are available*
Resource Savings	*No additional evidence generally needed once report is received*
Accuracy Rate	*Reported wages 92.2 percent accurate based upon previous study*



Our June 2010 goal is to increase the number of monthly reporters participating in the SSITWR initiative to 20,000. We are proud to report that, as of March 31, 2010, there were 24,107 unique wage reporting participants and, of those, we received 22,067 successful wage reports, surpassing the targeted goal. Our front-line employees will continue to recruit new monthly reporters and promote the use of this tool for wage reporting. We also published new public information materials encouraging usage of SSITWR and will produce posters and handouts for front-line employees to distribute. Additionally, we are developing more SSITWR training CD-ROMs to distribute to newly-recruited monthly reporters.

Program Integrity Initiatives

The most important tools we have to maintain and improve our program stewardship are medical CDRs and redeterminations. CDRs are periodic reevaluations to determine if beneficiaries are still disabled. SSI redeterminations are periodic reviews of nonmedical factors of eligibility, such as income and resources. CDRs and redeterminations are extremely effective in reducing improper payments. We estimate that every dollar spent on CDRs yields at least $10 in lifetime program savings and every dollar spent on SSI redeterminations yields $8 in program savings, including savings accruing to Medicaid.

In FY 2011, we plan to conduct 360,000 full medical CDRs and 2,422,000 redeterminations. Meeting our FY 2011 program integrity goals for redeterminations and CDRs, will yield program savings over the 10-year period through FY 2020 of more than $7 billion, including Medicare and Medicaid savings.

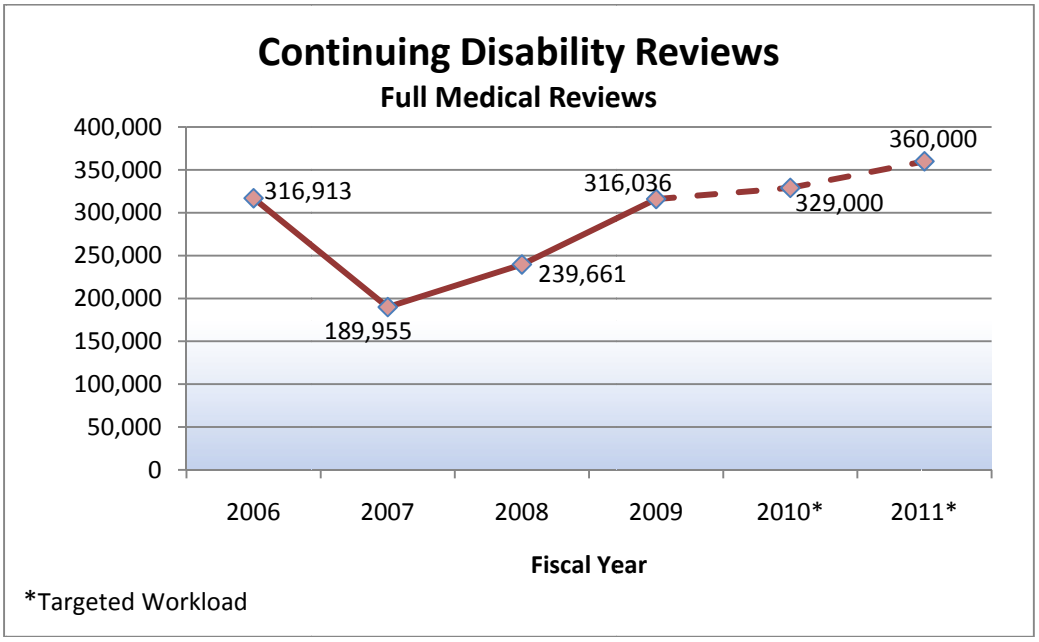
To illustrate the importance of CDRs and redeterminations, below is a description of how and why we conduct these reviews.

Continuing Disability Reviews

For an individual to be entitled to disability benefits under either the Social Security DI or SSI program, we must determine that the person meets the definition of disability in the Social Security Act. Most of these determinations are made by State agencies known as DDSs. These determinations establish whether the individual is disabled and the date the disability began. After an individual has been on the program rolls for a period of time, the DDS is also involved in the determination of whether the individual's disability has ended or has significantly improved.

Since the beginning of the disability program, Congress has required, under sections 221(i) and 1614(a) of the Social Security Act, that we periodically review the cases of beneficiaries who receive benefits based on disability or blindness. When disability is established, we schedule each case for a periodic CDR. The frequency of review depends on the likelihood of medical improvement. In addition, we may conduct a CDR earlier than schedule if we receive information that a beneficiary may no longer be disabled.

We report annually to Congress on the CDR workload. Our most recent report showed that we spent $307 million processing CDRs in FY 2008, for an estimated present value of lifetime program benefit savings of $3.8 billion**,** including Medicare and Medicaid savings. These results demonstrate that CDRs continue to be a highly cost-effective program integrity tool.



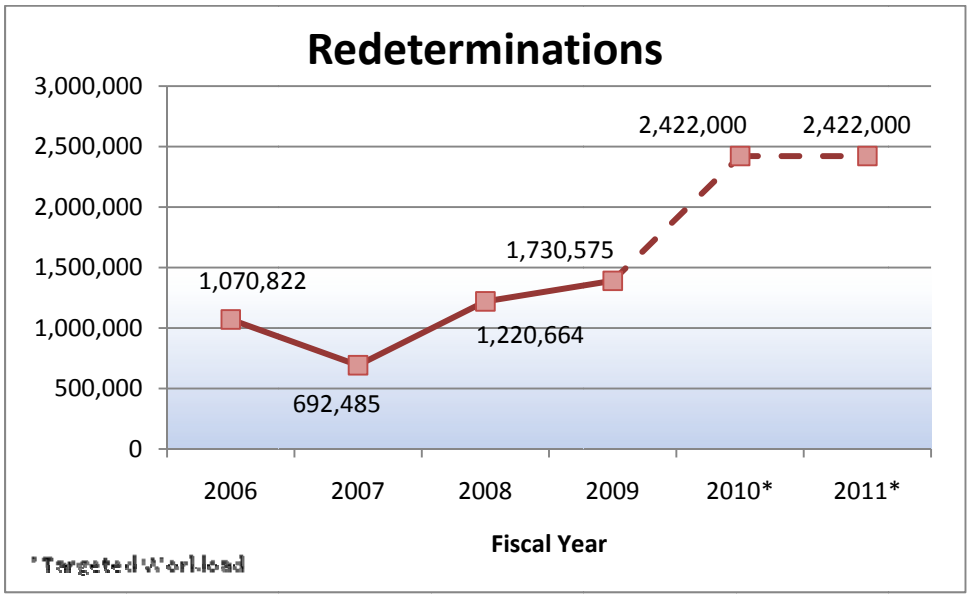
Redeterminations

To assure SSI payments are paid in the correct amount and only to eligible individuals, we conduct redeterminations, which are periodic reviews of SSI nonmedical eligibility factors. Redeterminations are a very effective tool to detect and prevent improper payments in the SSI program.

Redeterminations can be scheduled or unscheduled, and except for certain institutionalized individuals, virtually all recipients are periodically scheduled for a review. The frequency and the intensity of these scheduled reviews depend on the probability that the case is paid in error, based on a number of case characteristics.

Unscheduled redeterminations are completed on an as-needed basis when recipients report, or we discover, certain changes in circumstance that could affect the continuing SSI payment amount or eligibility.

The total number of redeterminations we complete varies from year-to-year based on available resources and workload requirements. The FY 2011 budget includes resources for our two most successful program integrity efforts: CDRs and SSI redeterminations. In FY 2011, we plan to conduct 360,000 full medical CDRs and 2,422,000 redeterminations.



Fraud, Waste, and Abuse Activity

We take seriously identification of suspected fraudulent activity. We refer alleged incidents of fraud, waste, and abuse to OIG for investigation.

We also jointly administer with OIG and the DDSs the Cooperative Disability Investigations (CDI) project which consists of 21 CDI units nationwide, whose mission is to obtain evidence of material fact sufficient to resolve questions of fraud in our disability programs. Personnel representing OIG, DDS, and local or State law enforcement officials staff each CDI team. Each CDI's function is to improve our capability to detect fraud at the earliest point in the process, thereby preventing or terminating erroneous eligibility. CDI units investigate individual claimants and service providers, such as doctors and lawyers, who are suspected of facilitating and promoting disability fraud.

From FY 2009 to the first half of FY 2010, CDI efforts have resulted in a yearly average of over $350 million in projected savings to SSA, RSDI, and SSI disability programs and non-SSA programs. This supports our strategic goal of ensuring the integrity of Social Security programs, with zero tolerance for fraud.

Plans for Ensuring that Initiatives Do Not Burden Program Access/Participation

OMB guidance on this reporting requirement will be available to agencies on July 31, 2010. When we receive this guidance, we will provide our plan as required by the Executive Order.

Overpayment Collection

RSDI and SSI Overpayments

In addition to our efforts to prevent and detect improper payments, we also have a comprehensive debt collection program. We recovered $3.06 billion in program debt in FY 2009 and $12.75 billion over a 5-year period (FYs 2005 – 2009) at an administrative cost of $.06 for every dollar collected. This year, we began developing several debt collection enhancements; e.g., systems changes to allow us to identify and refer more eligible SSI delinquent debt to the Treasury Offset Program (TOP); creation of a system to offset State payments to recover our delinquent debts; and removal of the Department of the Treasury's 10-year statute of limitations for referring delinquent debts to TOP.

As resources permit, we will continue to improve our debt collection program through the implementation of several additional debt collection tools. These include the use of private collections agencies (PCA), the charging of administrative fees and interest or indexing a debt to reflect its current value. A list of our existing collection tools to recover RSDI and SSI overpayments is set out in the table below.

Programmatic Debt Overpayment Recovery Methods	
Benefit Withholding	This is an internal collection technique where we withhold some or all of the payments for RSDI beneficiaries and SSI recipients. We collected $2,236.6 million in FY 2009 using this method.
Treasury Offset Program (TOP)	TOP is an automated debt collection tool sponsored by the Department of Treasury. We collected $158.1 million in FY 2009.
Credit Bureau Reporting	We inform credit bureaus about delinquent debts owed by former RSDI beneficiaries or SSI recipients. This debt collection tool contributed to the voluntary repayment of $60.2 million in FY 2009.*
Cross Program Recovery - RSDI	This collection technique is used to recover RSDI overpayments from SSI underpayments. Using this technique, we collected $26.1 million in FY 2009.
Cross Program Recovery - SSI	This method of collection is used to recover SSI overpayments from RSDI underpayments or monthly benefits. We recovered $103.3 million in FY 2009 using this method.
Administrative Wage Garnishment (AWG)	AWG is a process through which an employer withholds amounts from an employee's wages and pays those amounts to the Federal agency to which the employee owes a delinquent debt. During FY 2009, we collected $20.1 million through AWG.

Programmatic Debt Overpayment Recovery Methods (Cont.)	
Non-Entitled Debtors (NED)	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 $4.8 million in FY 2009. **
Automatic Netting - SSI	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $134.0 million in FY 2009. ***
Other Collections	These are mostly voluntary payments received as a result of a notice requesting refund of an overpayment. We collected $512.0 million in FY 2009 from these payments.

* This is included in the TOP collection total above.
** This is included in the TOP collection total above.
*** These overpayments are not included in our FY 2009 overpayment collections of $3.06 billion. This is because the overpayments are "netted" before they are established on the SSI recipient's record.

Recovery Targets

We are working with OMB on how to implement this requirement of the Executive Order. We are exploring methodologies to determine the baseline for reporting and recovery targets.

High-Dollar Improper Payment Quarterly Report

Executive Order 13520 requires the head of each agency to compile a quarterly report on any high-dollar improper payments. The Executive Order requires the agency to submit this report to the agency's IG and the Council of Inspectors General on Integrity and Efficiency, as well as make available to the public, a report of high-dollar overpayments identified by the agency.

Part III to OMB Circular A-123, Appendix C defines a high-dollar overpayment as any overpayment made to an individual or entity in excess of 50 percent of the correct amount of the intended payment, where:

- The total payment to an individual exceeds $5,000 as a single payment or in cumulative payments for the quarter; or

- The payment to an entity exceeds $25,000 as a single payment or in cumulative payments for the quarter.

OMB recognizes the resource and operational challenges this requirement presents agencies and is working with us and IG to identify high-dollar overpayments. On April 27, 2010, we confirmed with OMB that quarterly reports of high-dollar overpayments are limited to improper overpayments and we do not extrapolate those instances to the entire RSDI and SSI program. Instead, we will report specific incidents of high-dollar improper payments. With this recent clarification, we will develop a strategy to identify our high-dollar improper overpayments to meet this requirement. OMB will also be issuing clarification on the frequency of reporting high-dollar overpayments.

Administrative Payments/Limitation on Administrative Expenses

We make four types of administrative payments: payroll and benefits, DDS expenses, travel payments, and vendor payments. We continuously monitor our administrative payments operations by responsibly managing our resources to ensure compliance with Federal regulations, agency policies, and procedures. Adequate internal controls are in place to minimize the risk of improper payments and maximize the identification and recovery of improper payments including a 3-step payment process in which every payment is verified by a third party. We designed our improper payments and recovery identification, tracking, and reporting to meet the reporting requirements of both IPIA and Recovery Audit Act.

Payroll and Benefits

Payroll and benefits account for approximately 50 percent of total administrative expenses funded by LAE. We use the Departments of Interior's (DOI) National Business Center (NBC) as our payroll provider and transmit current payroll data to DOI, which performs payroll calculations. NBC performs a risk assessment on payroll transactions made by the Federal Personnel and Payroll System and has determined that the payroll program does not meet the criteria for further IPIA reporting to Congress or OMB.

In compliance with OMB's definition of improper payments, DOI's NBC performs an extract of all prior pay period adjustments reported on the labor cost files for four randomly selected pay periods. We use the results of NBC's payment accuracy review to determine if, overall, our administrative payments are susceptible to improper payments.

DDS

For FY 2008, DDS disbursements account for 17 percent of total administrative expenses. When a claimant applies for DI or SSI benefits, SSA field offices verify the claimant's nonmedical eligibility and forward the claim to the State DDS for a medical determination of disability. DDS authorizes purchases of evidence such as medical examinations, x-rays, and laboratory tests on a consultation basis and we pay for all of the costs incurred in making the disability determination; i.e. salaries and overhead. For payment accuracy, we rely upon the Office of the Inspector General's (OIG) audits of DDS' as authorized by the Single Audit Act. OIG audits are scheduled based upon the following criteria: $50 million and above of DDS disbursements once every 3 years, $20 - $50 million of DDS disbursements once every 5 years, and below $20 million of DDS disbursements once every 7 - 10 years.

Travel Payments

Using OMB Circular A-123 guidelines, we conduct a risk assessment on each of the following travel categories: temporary duty vouchers; local travel vouchers; long-term detail vouchers; relocation payments; transportation service orders; foreign vouchers; direct billing of closing costs; and third- party relocations services. We review each payment category and assess any identified improper payments by comparing them to the entire payment category. Our analysis shows that our travel payments are not susceptible to significant improper payments. We periodically examine a sample selection for review throughout the FY. We report the summary of our findings in the PAR at the end of the FY.

In accordance with OMB Circular A-123, Appendix C, we base statistical sampling estimates on the equivalent of a statistical random sample with a precision requiring a sample of sufficient size to yield an estimate with a 90 percent confidence interval of plus or minus 2.5 percent around the estimate of the percentage of erroneous payments. Therefore, we use the following websites to determine the appropriate sample size for conducting our payment accuracy review:

- http://www.macorr.com/ss_calculator.htm
- http://www.dimensionresearch.com/resources/calculators/sample_size.html
- http://www.raosoft.com/samplesize.html

Vendor Payments

The Defense Authorization Act for FY 2002 requires agencies that enter into contracts with a total value in excess of $500 million in a FY to carry out a cost- effective program for identifying errors made in paying contractors and for recovering any amounts erroneously paid to the contractors. The program must include recovery audits and recovery activities.

OMB Circular A-123 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 an in-house recovery audit program for

administrative payments to recover and limit improper sales tax, excise tax, and late payment charges. This audit program also 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. Additionally, we use computer-assisted auditing techniques to identify possible duplicate payments.

The statistical sampling process for the vendor payments quality review program entails compiling a monthly report of all vouchers paid up to $500,000 and monthly generating a random sample of 34 vouchers based on categorized stratified values. We make an annual sample selection of a minimum of 384 payments. The vendor payment sample size is determined based on the annual number of payments made in the previous FY utilizing a target 95 percent confidence level, and a precision interval of plus or minus 5 percent. Once we have identified the sample payments, we review these vouchers for compliance with established departmental policies and procedures and compliance with Federal regulations. We grade vouchers individually based on a point system for compliance with established mailroom, registration, and voucher examination processing procedures, and adherence to the Prompt Pay Act, Debt Collection Improvement Act and IPIA. In addition, we review automated workload processes to ensure proper internal controls and separation of duties.

Administrative Debt

Along with our comprehensive program to recover benefit overpayments, we have an extensive debt collection program to recover administrative overpayments to contractors and former employees resulting from payment errors. In FY 2009, we collected $4.7 million in administrative debt recovered through an array of internal and external debt collection tools. We present these recovery methodologies in the table below.

Administrative Debt Overpayment Recovery Methods	
Direct Collection	We receive collections internally through interior demand notifications. This debt collection tool contributed to the voluntary repayment of $3.02 million in FY 2009.
Internal Offset	We conduct an internal administrative offset by withholding monies due or payable. We collected $1.48 million through this debt collection tool.
Treasury Cross Servicing	This is another debt collection tool sponsored by the Department of Treasury. For the purpose of offsetting Federal payments, including tax refunds, retirement pay, and Federal employee salary offset and provides authority for disbursing officials to conduct payment offsets. This debt collection tool also performs AWG, credit bureau reporting and collection outsourcing to PCAs. We collected $0.20 million through this debt collection tool.

APPENDIX

Appendix A –Definitions

Improper Payment

For the purpose of Executive Order 13520, Reducing Improper Payments, the definition of an improper payment is the same as that contained in IPIA and Part I, Section A of Appendix C to OMB Circular A-123, *Requirements for Effective Measurement and Remediation of Improper Payments*.

> "An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable requirements. Incorrect amounts are overpayments and underpayments (including inappropriate denials of payment or service). An improper payment includes any payment that was made to an ineligible recipient or for an ineligible service, duplicate payments, payments for services not received, and payments that are for an incorrect amount. In addition, when an agency's review is unable to discern whether a payment was proper as a result of insufficient or lack of documentation, this payment must also be considered an error.
>
> "The term "payment" in this guidance means any payment (including a commitment for future payment, such as a loan guarantee) that is:
>
> - Derived from Federal funds or other Federal sources;
> - Ultimately reimbursed from Federal funds or resources; or
> - Made by a Federal agency, a Federal contractor, a governmental or other organization administering a Federal program or activity."

Consistent with IPIA and OMB guidelines, we consider payments improper (both overpayments and underpayments) if they 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.

Not all overpayments and underpayments are improper. Certain overpayments are unavoidable, and not improper, if the payment is required by statute, regulation, or court order, such as continued payments required by due process procedures. For example, the Social Security Act allows beneficiaries, in prescribed circumstances, to request continuation of their benefits while they appeal an adverse action. If the appeal is not decided in their favor, the resulting overpayment is not considered improper since it was statutorily required at the point it was made.

Risk-Susceptible Program

IPIA defines payments susceptible to improper payments as those that exceed $10 million. OMB extended the definition requiring that payments also exceed 2.5 percent of payment outlays. That is, payments are considered susceptible to improper payments if they exceed both 2.5 percent and $10 million of program outlays. OMB Circular A-123, Part III also extends the improper payments reporting requirements to those programs listed in the former Section 57 of OMB Circular A-11, including RSDI and SSI.

SSI payments are identified as susceptible to significant improper payments; i.e., estimated improper payments exceed 2.5 percent of program outlays and $10 million. The FY 2009 annual stewardship review indicates that the overpayment error rate was 8.4 percent and the underpayment error rate was 1.6 percent.

For FY 2009, the RSDI overpayment accuracy rate was 99.6 percent while the underpayments had an accuracy rate of 99.9 percent. Even though the RSDI programs are not identified as susceptible to significant improper payments, they meet the grandfathered reporting requirements of IPIA since these programs were reported in the former Section 57 of OMB Circular A-11.

IPIA requires the evaluation of all payment outlays. Therefore, in addition to reviewing our program payments, we conduct annual reviews of our administrative payments for mainly employee payroll disbursements and vendor payments funded by the LAE appropriation. These payments were not susceptible to significant improper payments. The FY 2008 error rate was 0.05 percent out of $1.5 billion administrative contractor payments.

High-Priority Program

Appendix C, Part III of OMB draft guidance titled *Requirements for Implementing Executive Order 13520: Reducing Improper Payments* defines high-priority programs as follows:

> "The Director of OMB will classify a program as high-priority if the program meets the following criteria:
>
> - It is susceptible to significant improper payments as defined by legislation and OMB implementing guidance and either:
> - Errors reported and measured above the threshold determined by OMB contributed to the majority of improper payments in the most recent reporting year; or
> - Has not reported an improper payment dollar amount in the most recent reporting year, but has in the past reported errors above the threshold determined by OMB and not received relief from OMB from measuring and reporting; or
> - Has not yet reported an overall program improper payment dollar amount, but the aggregate of the measured program's component errors are above the threshold.

- For those programs with error amounts close to the threshold, but with error rates below 2 percent of program outlays, agencies may work with OMB to determine if the program can be exempt from fulfilling certain requirements of the Executive Order."

The Director of OMB will identify high-priority programs annually based upon improper payment reporting in our annual PAR. The FY 2010 threshold is $750 million in improper payments as reported in our FY 2009 PAR.

The chart below depicts the improper payments reporting requirements for those susceptible to improper payments reporting for RSDI, SSI and LAE.

Improper Payments Reporting Requirements				
Payments	Overpayment Error Rate %	Underpayment Error Rate %	Susceptible to Improper Payments	High-Priority Program
RSDI	0.37	0.09	✓	✓ *
SSI	8.4	1.6	✓	✓
Administrative/LAE	0.05	0	N/A	N/A

* RSDI supplemental targets not required since error rates are less than 2 percent.

Appendix B - Causes of Improper Payments, RSDI and SSI

These tables represent a cross-walk of causes of RSDI and SSI overpayment and underpayment error to OMB's categories of improper payments: Administrative and Documentation Errors, Authentication and Medical Necessity Errors and Verification and Local Administration Errors. Please refer to the detailed report on IPIA in the FY 2009 PAR for further information.

Causes of RSDI Overpayments in FY 2008

Type of Error	Dollars in Millions	OMB Category	Administration	Authentication	Verification
Substantial Gainful Activity	$1,069	Verification and Local Administration			$1,069
Government Pension Offset	$396	Verification and Local Administration			$396
Windfall Elimination Provision (WEP)	$334	Administrative and Documentation			$334
Workers Compensation	$81	Verification and Local Administration			$81
Earnings History	$60	Verification and Local Administration	$60		
Annual Earnings Test	$41	Administrative and Documentation			$41
Relationship/Dependency	$37	Verification and Local Administration		$37	
Computations	$2	Authentication and Medical Necessity	$2		
Report of Partnership Earnings	$1	Authentication and Medical Necessity		$1	

Causes of RSDI Underpayments in FY 2008

Type of Error	Dollars in Millions	OMB Category	Administration	Authentication	Verification
Computations	$251	Administrative and Documentation	$251		
Earnings History	$117	Administrative and Documentation	$117		
Workers' Compensation	$90	Verification and Local Administration			$90
Onset Date	$36	Administrative and Documentation	$36		
Annual Earnings Test	$27	Verification and Local Administration			$27

Causes of SSI Overpayments in FY 2008					
Type of Error	Dollars in Millions	OMB Category	Administration	Authentication	Verification
Financial Accounts	$1,388	Verification and Local Administration / Administrative and Documentation	$35		$1,352
Wages	$885	Verification and Local Administration / Administrative and Documentation	$79		$806
Other Real Property	$409	Verification and Local Administration / Administrative and Documentation	$74		$335
Combined Resources	$393	Verification and Local Administration / Administrative and Documentation	$3		$389
In-Kind Support and Maintenance	$357	Authentication and Medical Necessity / Administrative and Documentation	$87	$269	
Other Liquid Resources	$278	Verification and Local Administration / Administrative and Documentation	$12		$266
Cash Income	$164	Authentication and Medical Necessity		$164	
Life Insurance	$140	Verification and Local Administration / Administrative and Documentation	$57		$83
Deeming Process	$138	Authentication and Medical Necessity / Administrative and Documentation	$26	$111	
Penal Institution/City or County	$137	Verification and Local Administration			$137
Deposits to joint bank accounts	$132	Authentication and Medical Necessity / Administrative and Documentation	$9	$123	
Child Support	$77	Authentication and Medical Necessity / Administrative and Documentation	$10	$67	
Other Unearned Income	$75	Verification and Local Administration			$75
Automobile/Vehicle	$69	Verification and Local Administration / Administrative and Documentation	$13		$57
Value of the Reduction (LA B)	$69	Authentication and Medical Necessity / Administrative and Documentation	$18	$51	
VA Pension	$65	Administrative and Documentation / Authentication and Medical Necessity	$65		$0.1
Income based on Need	$62	Verification and Local Administration / Administrative and Documentation	$4		$58
Private Institution, Medicaid > 50%	$62	Verification and Local Administration			$62
Public Institution, Medicaid > 50%	$60	Verification and Local Administration			$60
Penal Institution/State	$50	Verification and Local Administration			$50

Causes of SSI Overpayments in FY 2008					
Residency	$45	Verification and Local Administration			$45
Optional State Supplement	$44	Administrative and Documentation / Authentication and Medical Necessity	$25	$19	
Dividends/Interest(other)/Royalty	$41	Verification and Local Administration			$41
Unemployment Insurance	$39	Verification and Local Administration			$39
Worker's Compensation	$39	Verification and Local Administration / Administrative and Documentation	$1		$38
Cash on Hand	$37	Authentication and Medical Necessity		$37	
Living Arrangement A	$26	Authentication and Medical Necessity		$26	
Title II/Black Lung	$25	Administrative and Documentation	$25		
Death - Payment Not Returned	$24	Verification and Local Administration			$24
Net Earnings from Self-Employment	$22	Verification and Local Administration			$22
Marital Status	$21	Verification and Local Administration / Administrative and Documentation	$1		$20
Other Non-Liquid Resources	$21	Verification and Local Administration			$21
Rental Income	$15	Authentication and Medical Necessity		$15	
Gifts	$13	Authentication and Medical Necessity		$13	
Fugitive Felon	$10	Authentication and Medical Necessity		$10	
Other	$9	Verification and Local Administration			$9
Alimony	$8	Authentication and Medical Necessity		$8	
Other domestic govt pension	$6	Verification and Local Administration			$6
Public Institution, Medicaid <= 50%	$5	Verification and Local Administration			$5
Private domestic pension	$5	Verification and Local Administration / Administrative and Documentation	$0.1		$5
Foreign Pension	$3	Verification and Local Administration / Administrative and Documentation	$1		$1
VA Compensation	$2	Verification and Local Administration / Administrative and Documentation	$0.4		$2
Citizenship	$2	Verification and Local Administration			$2
Other Disability/Blindness Related Issues	$1	Administrative and Documentation	$1		
Child in HH of Parent (LA C)	$0.9	Authentication and Medical Necessity		$0.9	

Causes of SSI Overpayments in FY 2008					
Military Allowance and Allotment	$0.8	Administrative and Documentation	$0.8		
OPM Pension	$0.1	Administrative and Documentation	$0.1		
Financial account interest	$0.007	Administrative and Documentation	$0.007		

Causes of SSI Underpayments in FY 2008					
Type of Error	Dollars in Millions	OMB Category	Administration	Authentication	Verification
Wages	$197	Verification and Local Administration / Administrative and Documentation	$24		$173
Living Arrangement A	$197	Authentication and Medical Necessity / Administrative and Documentation	$5	$191	
In-Kind Support and Maintenance	$145	Authentication and Medical Necessity Errors / Administrative and Documentation	$30	$115	
Deeming Process	$119	Authentication and Medical Necessity / Administrative and Documentation	$21	$98	
Child Support	$70	Authentication and Medical Necessity Errors / Administrative and Documentation	$1	$69	
Net Earnings from Self-Employment	$65	Verification and Local Administration			$65
Cash Income	$39	Authentication and Medical Necessity / Administrative and Documentation	$3	$36	
Optional State Supplement	$28	Authentication and Medical Necessity / Administrative and Documentation	$2	$26	
Child in HH of Parent (LA C)	$26	Administrative and Documentation / Authentication and Medical Necessity	$24	$2	
Income based on Need	$16	Verification and Local Administration / Administrative and Documentation	$8		$8
Other Unearned Income	$11	Verification and Local Administration / Administrative and Documentation	$0.003		$11
Value of the Reduction (LA B)	$10	Authentication and Medical Necessity		$10	
Rental Income	$9	Authentication and Medical Necessity		$9	
Unemployment Insurance	$8	Verification and Local Administration			$8
State Disability Income	$4	Administrative and Documentation	$4		
Marital Status	$3	Administrative and Documentation / Verification and Local Administration	$2		$1
Other Disability/Blindness Related Issues	$3	Administrative and Documentation	$3		
Impairment Related Work Expenses	$3	Authentication and Medical Necessity / Administrative and Documentation	$1	$2	
Worker's Compensation	$3	Verification and Local Administration			$3
VA Pension	$1	Administrative and Documentation / Verification and Local Administration	$1		$0.09
Blind Work Expenses	$1	Authentication and Medical Necessity		$1	
VA Compensation	$1	Verification and Local Administration			$1
Financial account interest	$1	Administrative and Documentation / Verification and Local Administration	$1		$0.1
Title II/Black Lung	$0.1	Administrative and Documentation	$0.1		

Causes of SSI Underpayments in FY 2008					
Alimony	$0.04	Authentication and Medical Necessity		$0.04	
Foreign Pension	$0.01	Administrative and Documentation	$0.01		
Dividends/Interest(other)/Royalty	$0.007	Administrative and Documentation	$0.007		

Appendix C - Executive Order 13520, Reducing Improper Payments

Executive Order-- Reducing Improper Payments and Eliminating Waste in Federal Programs
EXECUTIVE ORDER

By the authority vested in me as President by the Constitution and the laws of the United States of America, and in the interest of reducing payment errors and eliminating waste, fraud, and abuse in Federal programs, it is hereby ordered as follows:

Section 1. Purpose. When the Federal Government makes payments to individuals and businesses as program beneficiaries, grantees, or contractors, or on behalf of program beneficiaries, it must make every effort to confirm that the right recipient is receiving the right payment for the right reason at the right time. The purpose of this order is to reduce improper payments by intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries. No single step will fully achieve these goals. Therefore, this order adopts a comprehensive set of policies, including transparency and public scrutiny of significant payment errors throughout the Federal Government; a focus on identifying and eliminating the highest improper payments; accountability for reducing improper payments among executive branch agencies and officials; and coordinated Federal, State, and local government action in identifying and eliminating improper payments. Because this order targets error, waste, fraud, and abuse -- not legitimate use of Government services -- efforts to reduce improper payments under this order must protect access to Federal programs by their intended beneficiaries.

Sec. 2. Transparency and Public Participation.

(a) Within 90 days of the date of this order, the Director of the Office of Management and Budget (OMB) shall:

(i) identify Federal programs in which the highest dollar value or majority of Government-wide improper payments occur (high-priority programs);
(ii) establish, in coordination with the executive department or agency (agency) responsible for administering the high-priority program annual or semi-annual targets (or where such targets already exist, supplemental targets), as appropriate, for reducing improper payments associated with each high-priority program;
(iii) issue Government-wide guidance on the implementation of this order, including procedures for identifying and publicizing the list of entities described in subsection (b)(v) of this section and for administrative appeal of the decision to publish the identity of those entities, prior to publication; and
(iv) establish a working group consisting of Federal, State, and local officials to make recommendations to the Director of OMB designed to improve the Federal Government's measurement of access to Federal programs by the programs' intended beneficiaries. The working group's recommendations shall be prepared in consultation with the Council of Inspectors General on Integrity and Efficiency (CIGIE)

and submitted within 180 days of the date of this order, and the recommended measurements may be incorporated by the Secretary of the Treasury in the information published pursuant to subsection (b) of this section.

(b) Within 180 days of the date of this order, the Secretary of the Treasury in coordination with the Attorney General and the Director of OMB, shall publish on the Internet information about improper payments under high-priority programs. The information shall include, subject to Federal privacy policies and to the extent permitted by law:

(i) the names of the accountable officials designated under section 3 of this order;
(ii) current and historical rates and amounts of improper payments, including, where known and appropriate, causes of the improper payments;
(iii) current and historical rates and amounts of recovery of improper payments, where appropriate (or, where improper payments are identified solely on the basis of a sample, recovery rates and amounts estimated on the basis of the applicable sample);
(iv) targets for reducing as well as recovering improper payments, where appropriate; and
(v) the entities that have received the greatest amount of outstanding improper payments (or, where improper payments are identified solely on the basis of a sample, the entities that have received the greatest amount of outstanding improper payments in the applicable sample).

Information on entities that have received the greatest amount of outstanding improper payments shall not include any referrals the agency made or anticipates making to the Department of Justice, or any information provided in connection with such referrals.

(c) Within 180 days of the date of this order, the Secretary of the Treasury in coordination with the Attorney General and the Director of OMB and in consultation with the CIGIE, shall establish a central Internet-based method to collect from the public information concerning suspected incidents of waste, fraud, and abuse by an entity receiving Federal funds that have led or may lead to improper payments by the Federal Government.
(d) Agencies shall place a prominently displayed link to Internet-based resources for addressing improper payments, including the resources established under subsections (b) and (c) of this section, on their Internet home pages.

Sec. 3. Agency Accountability and Coordination.

(a) Within 120 days of the date of this order, the head of each agency responsible for operating a high-priority program shall designate an official who holds an existing Senate-confirmed position to be accountable for meeting the targets established under section 2 of this order without unduly burdening program access and participation by eligible beneficiaries. In those agencies where the majority of payments are isolated to a single component, the head of the agency shall name a second accountable official for that component whose sole responsibility would be for program integrity activities and, as appropriate, shall consolidate and coordinate all program integrity activities within the component.

(b) Within 180 days of the date of this order, each agency official designated under subsection (a) of this section, or otherwise designated by the Director of OMB, shall provide the agency's Inspector General a report containing:

(i) the agency's methodology for identifying and measuring improper payments by the agency's high-priority programs;
(ii) the agency's plans, together with supporting analysis, for meeting the reduction targets for improper payments in the agency's high-priority programs; and
(iii) the agency's plan, together with supporting analysis, for ensuring that initiatives undertaken pursuant to this order do not unduly burden program access and participation by eligible beneficiaries.

Following the receipt and review of this information, the agency Inspector General shall assess the level of risk associated with the applicable programs, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's methodology, improper payment reduction plans, or program access and participation plans.

(c) If an agency fails to meet the targets established under section 2 of this order or implement the plan described in subsection (b)(iii) of this section for 2 consecutive years, that agency's accountable official designated under subsection (a) of this section shall submit to the agency head, Inspector General, and Chief Financial Officer a report describing the likely causes of the agency's failure and proposing a remedial plan. The agency head shall review this plan and, in consultation with the Inspector General and Chief Financial Officer, forward the plan with any additional comments and analysis to the Director of OMB.

(d) Within 180 days of the date of this order, the Chief Financial Officers Council (CFOC) in consultation with the CIGIE, the Department of Justice, and program experts, shall make recommendations to the Director of OMB and the Secretary of the Treasury on actions (including actions related to forensic accounting and audits) agencies should take to more effectively tailor their methodologies for identifying and measuring improper payments to those programs, or components of programs, where improper payments are most likely to occur. Recommendations shall address the manner in which the recommended actions would affect program access and participation by eligible beneficiaries.

(e) Within 180 days of the date of this order, the Secretary of the Treasury and the Director of OMB in consultation with the CIGIE, the Department of Justice, and program experts, shall recommend to the President actions designed to reduce improper payments by improving information sharing among agencies and programs, and where applicable, State and local governments and other stakeholders. The recommendations shall address the ways in which information sharing may improve eligibility verification and pre-payment scrutiny, shall identify legal or regulatory impediments to effective information sharing, and shall address the manner in which the recommended actions would affect program access and participation by eligible beneficiaries.

(f) Within 180 days of the date of this order, and at least once every quarter thereafter, the head of each agency shall submit to the agency's Inspector General and the CIGIE, and make available to the public, a report on any high-dollar improper payments identified by the agency, subject to Federal privacy policies and to the extent permitted by law. The report shall describe any actions the agency has taken or plans to take to recover improper payments, as well as any actions the agency intends to take to prevent improper payments from occurring in the future. The report shall not include any referrals the agency made or anticipates making to the Department of Justice, or any information provided in connection with such referrals. Following the review of each report, the agency Inspector General and the CIGIE shall assess the level of risk associated with the applicable program, determine the extent of oversight warranted, and provide the agency head with recommendations, if any, for modifying the agency's plans.

Sec. 4. Enhanced Focus on Contractors and Working with State and Local Stakeholders.

(a) Within 180 days of the date of this order, the Federal Acquisition Regulatory Council, in coordination with the Director of OMB, and in consultation with the National Procurement Fraud Task Force (or its successor group), the CIGIE, and appropriate agency officials, shall recommend to the President actions designed to enhance contractor accountability for improper payments. The recommendations may include, but are not limited to, subjecting contractors to debarment, suspension, financial penalties, and identification through a public Internet website, subject to Federal privacy policies and to the extent permitted by law and where the identification would not interfere with or compromise an ongoing criminal or civil investigation, for knowingly failing timely to disclose credible evidence of significant overpayments received on Government contracts.

(b) Within 30 days of the date of this order, the Director of OMB shall establish a working group consisting of Federal and elected State and local officials to make recommendations to the Director of OMB designed to improve the effectiveness of single audits of State and local governments and non-profit organizations that are expending Federal funds. The Director of OMB may designate an appropriate official to serve as Chair of the working group to convene its meetings and direct its work. The working group's recommendations shall be prepared in consultation with the CIGIE and submitted within 180 days of the date of this order. The recommendations shall address, among other things, the effectiveness of single audits in identifying improper payments and opportunities to streamline or eliminate single audit requirements where their value is minimal.

(c) Within 30 days of the date of this order, the Director of OMB shall establish a working group (which may be separate from the group established under subsection (b) of this section) consisting of Federal and elected State and local officials to make recommendations to the Director of OMB for administrative actions designed to improve the incentives and accountability of State and local governments, as well as other entities receiving Federal funds, for reducing improper payments. The Director of OMB may designate an appropriate official to serve as Chair of the working group to convene its meetings and direct its work. The working group's recommendations shall be prepared in consultation with the CIGIE and submitted within 180 days of the date of this order.

Sec. 5. Policy Proposals. The Director of OMB, in consultation with the appropriate agencies and the CIGIE, shall develop policy recommendations, including potential legislative proposals, designed to reduce improper payments, including those caused by error, waste, fraud, and abuse, across Federal programs without compromising program access, to be included, as appropriate, in the Budget of the United States Government for Fiscal Year 2011 and future years, or other Administration proposals.

Sec. 6. General Provisions.

(a) Nothing in this order shall be construed to impair or otherwise affect:

(i) authority granted by law to a department, agency, the head thereof, or any agency Inspector General; or
(ii) functions of the Director of OMB relating to budgetary, administrative, or legislative proposals.

(b) Nothing in this order shall be construed to require the disclosure of classified information, law enforcement sensitive information, or other information that must be protected in the interests of national security.

(c) This order shall be implemented consistent with applicable law and subject to the availability of appropriations.

(d) This order is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity, by any party against the United States, its departments, agencies, or entities, its officers, employees, or agents, or any other person.

BARACK OBAMA

THE WHITE HOUSE,
November 20, 2009.