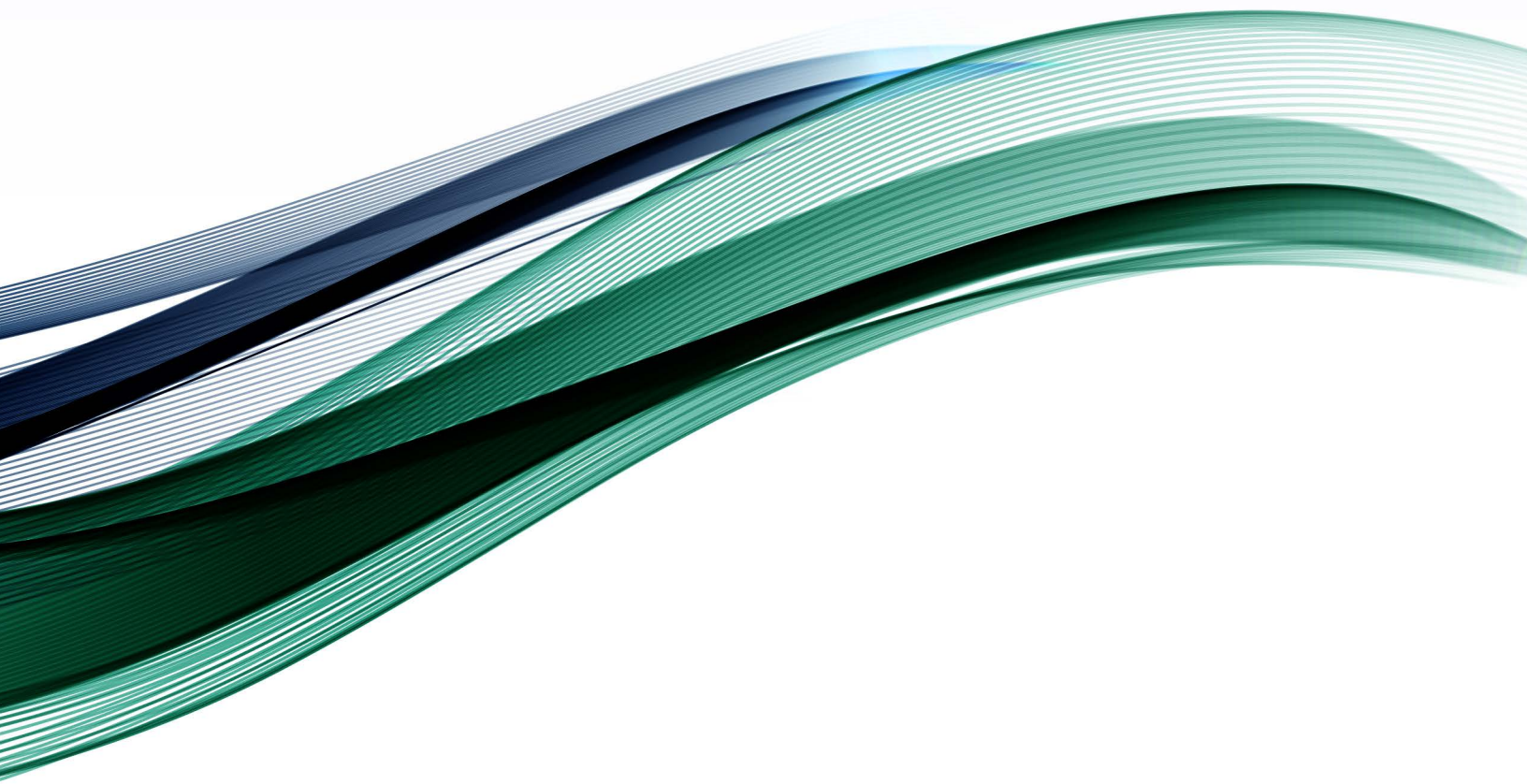# OTHER INFORMATION

The *Other Information* section provides information to satisfy additional statutory and Office of Management and Budget reporting requirements.

In accordance with the *Reports Consolidation Act of 2000*, the *IG Statement on SSA's Major Management and Performance Challenges* provides a summary and assessment of the most serious management and performance challenges we face as determined by the Office of the Inspector General (OIG). OIG also describes the steps we have taken to address each of the challenges.

Next, in *Other Reporting Requirements*, we provide a summary of our financial statement audit and management assurances. We also provide information on our entitlement reviews and OIG anti-fraud activities, agency fraud reduction efforts, civil monetary penalties, biennial review of user fee charges, actions to comply with the Reduce the Footprint initiative, grants oversight, and debt collection and management activities.

Finally, the *Other Information* section concludes with the *Payment Integrity* report, where we provide general information demonstrating our commitment to reducing improper payments. We also describe our efforts in reducing improper payments for our Old-Age, Survivors, and Disability Insurance and Supplemental Security Income benefit programs and administrative payments.

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

OIG ‧ Office *of the* Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2017

Nancy A. Berryhill
Acting Commissioner

Dear Ms. Berryhill:

The *Reports Consolidation Act of 2000* (Pub. L. No. 106-531) requires that Inspectors General summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. The *Reports Consolidation Act* also requires that the Social Security Administration (SSA) place the final version of this Statement in its annual *Agency Financial Report*.

MANAGEMENT AND PERFORMANCE CHALLENGES

As we planned our audit work for Fiscal Year (FY) 2017, we identified the following seven management and performance challenges.

- Reduce Disability Backlogs and Improve Decisional Quality
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Modernize Information Technology Infrastructure

- Secure Information Systems and Protect Sensitive Data
- Strengthen the Integrity and Protection of the Social Security Number
- Strengthen Planning, Transparency, and Accountability

As we reviewed SSA's disability programs this year, we determined our concerns would be better defined by a renamed challenge. Accordingly, we renamed the *Reduce Disability Backlogs and Improve Decisional Quality* challenge to *Improve Administration of the Disability Programs*.

We further discuss the management and performance challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each of the identified challenges. For example, we used statistics SSA reported and Office of the Inspector General audits of SSA's operations. We also used the FY 2017 independent auditors' report, which contained the results of SSA's financial statement audit. The report concluded that SSA had three significant deficiencies in internal controls over financial reporting.

The Office of Audit will continue focusing on these issues in FY 2018 and assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

I look forward to working with you to continue improving the Agency's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Gale Stallworth Stone
Acting Inspector General

Enclosure

Fiscal Year 2017
Inspector General Statement
on the
Social Security Administration's
Major Management and Performance Challenges

November 2017

IMPROVE ADMINISTRATION OF THE DISABILITY PROGRAMS

CHALLENGE

> **While the number of pending initial disability claims has decreased, the Agency still faces challenges with pending hearings and appeals. Continued focus is necessary to simplify work incentive regulations and create new opportunities for returning beneficiaries to work.**

The Social Security Administration's (SSA) Fiscal Year (FY) 2014-2018 *Agency Strategic Plan* has a goal to "Serve the public through a stronger, more responsive disability program," which includes the objective of improving the quality, consistency, and timeliness of disability decisions while leveraging technology to improve the disability process. SSA's field offices, regional operations, hearing offices, and Appeals Council as well as State disability determination services (DDS) process these disability workloads.

PENDING DISABILITY CLAIMS

While the number of pending claims has declined in recent years, SSA had approximately 523,000 initial disability claims pending at the end of FY 2017. At the end of FY 2016, there had been almost 568,000 initial disability claims pending. In FY 2017, SSA received over 2.4 million initial and 583,000 reconsideration claims and completed almost 2.5 million initial and 596,000 reconsideration claims.

CONTINUING DISABILITY REVIEW BACKLOG

The high number of initial disability applications in previous years forced the dedication of DDS resources to processing initial applications rather than conducting medical continuing disability reviews (CDR). As a result, SSA has had a backlog of full medical CDRs since FY 2002. As we stated in our August 2014 report on *The Social Security Administration's Completion of Program Integrity Workloads*, SSA had a backlog because it had not completed all full medical CDRs when they became due. As a result, SSA missed potential savings. Had SSA conducted full medical CDRs at historic levels, we estimated it would have identified billions of dollars in additional Federal benefit savings. With increased program integrity funding in recent years, SSA has increased the number of full medical CDRs completed and the backlog was down to about 64,000 cases at the end of FY 2017. SSA expects to eliminate the backlog by the end of FY 2018.

Figure 1: Full Medical CDR Backlog and Completions, FYs 2003 Through 2017
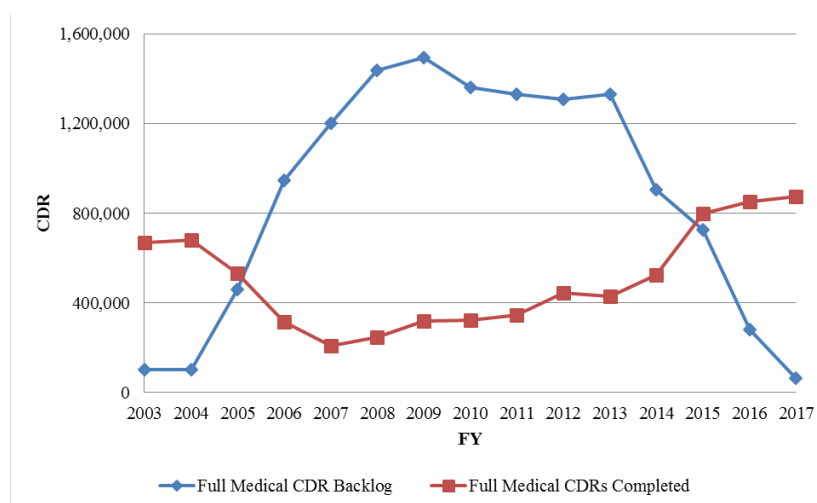
RETURN TO WORK

The *Ticket to Work and Work Incentives Improvement Act of 1999* (Pub. L. No. 106-170) established the Ticket to Work and Self-Sufficiency Program (Ticket Program). The purpose of the Ticket Program is to assist disabled beneficiaries in returning to work. Under the Ticket Program, SSA provides disabled beneficiaries a Ticket they can present to qualified organizations to obtain vocational rehabilitation or employment services.

Few Ticket-eligible beneficiaries used their Tickets to receive vocational or employment services. For example, as of August 2017, which is the latest available data, about 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in-use. Most of the individuals who used their Tickets placed them in-use with a State vocational rehabilitation agency under the cost-reimbursement option, the type of service that was in place before the Ticket Program was implemented. While few beneficiaries used their Tickets, SSA incurred significant costs to operate the Ticket Program. For example, SSA has paid contractors over $234 million to help manage the Ticket Program since its inception. SSA will incur similar costs to help manage the Ticket Program in the future.

While SSA reported significant savings attributed to the suspension or termination of benefits for beneficiaries who assigned or placed their Tickets in-use, most of the savings were attributed to beneficiaries who placed their Tickets in-use with a State vocational rehabilitation agency, the type of service available before the Ticket Program was implemented. Also, an independent evaluation failed to provide strong evidence of the Ticket Program's impact on employment and concluded that many successful Ticket Program participants might have been equally successful without SSA-financed services or with services provided by State vocational rehabilitation agencies under the payment system that predated the Ticket Program.

PENDING HEARINGS AND APPEALS

The hearings and appeals process has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased 42 percent from 426 days in FY 2010 to 605 days in FY 2017. Moreover, during the same period, the pending hearings backlog increased 50 percent, from 705,367 cases at the end of FY 2010 to 1.06 million cases at the end of FY 2017. In addition, the Appeals Council's pending workload had increased 19 percent, from 106,664 cases in FY 2010 to 127,134 cases in FY 2016, though it had decreased to 94,471 by end of FY 2017. In addition, average processing time was 388 days in FY 2016—up from 345 days in FY 2010. However, average processing time declined to 342 days in FY 2017.

Figure 2: Pending Hearings, FYs 2010 Through 2017
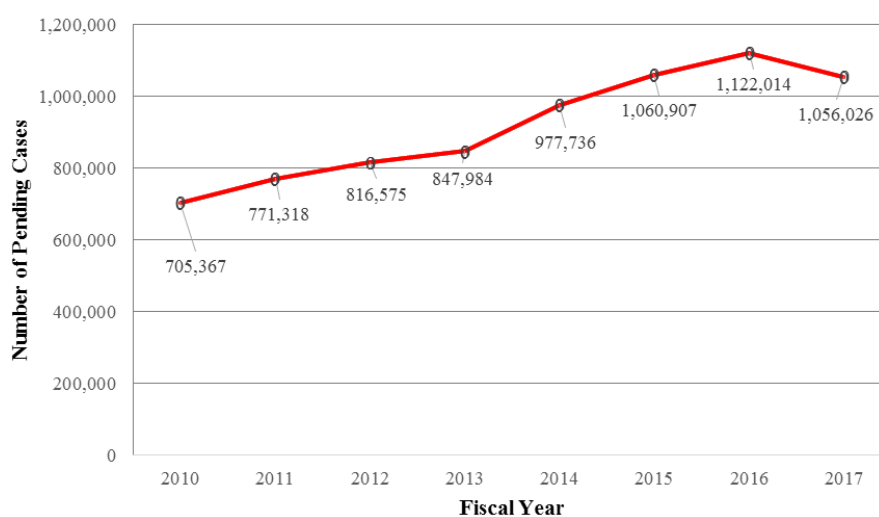
In January 2016, the Office of Disability Adjudication and Review, which formally became the Office of Hearings Operations on October 2, 2017, issued the *Compassionate and REsponsive Service* (CARES) plan. The CARES plan provides a framework of drivers and initiatives designed to address the growing number of pending hearings and increasing wait times. According to the CARES plan, SSA planned to reach an average processing time of 270 days for hearings by the end of FY 2020. The CARES plan also included a goal to process requests for Appeals Council review in an average of 180 days.

In September 2017, the Office of Hearings Operations released the 2017 updated CARES and Anomaly Plan, which builds on the tactical initiatives laid out in the 2016 Plan, incorporates lessons learned, and introduces new initiatives. The 2017 CARES plan incorporates $90 million in dedicated 2-year funding that was provided in SSA's 2017 appropriation to address the disability hearings backlog. Further, the Office of Hearings Operations reported that it updated projections to reflect actual enacted budgets and now expects to eliminate the hearings backlog by the end of FY 2022.

AGENCY ACTIONS

COOPERATIVE DISABILITY INVESTIGATIONS

The Cooperative Disability Investigations program continues to be one of the Agency's most successful joint initiatives, combining the efforts of the Office of the Inspector General (OIG), SSA, DDSs, and State or local law enforcement personnel. As of September 30, 2017, the Cooperative Disability Investigations program had 40 units covering 34 States; Washington, D.C.; and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. From inception in FY 1998 through FY 2017, Cooperative Disability Investigations program efforts nationwide have resulted in $3.7 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) disability programs and $2.7 billion to non-SSA programs. In FY 2017, Cooperative Disability Investigations program efforts nationwide resulted in $229 million in projected savings to SSA's OASDI and SSI disability programs and $269 million to non-SSA programs. In addition, in FY 2017, Cooperative Disability Investigations' efforts led to 90 judicial actions, which include criminal convictions, pre-trial diversions, civil settlements, and civil monetary penalties.

RETURN TO WORK

SSA reported it informs beneficiaries about its work incentive programs by mailing them paper tickets and eligibility notices and brochures when they begin receiving benefits. It mails notices to approximately 35,000 new beneficiaries each month. SSA expects these mailings to increase awareness of the program and increase participation in FYs through 2019.

HEARINGS AND APPEALS

As part of its CARES plan, SSA hired 264 administrative law judges (ALJ) in FY 2016 and 133 ALJs in FY 2017 to increase the Agency's adjudicatory capacity. In addition, the Office of Hearings Operations continues focusing on decision quality through its ongoing review of pre-effectuated adjudicator allowances, monitoring of potential anomalies in ALJ workload performance, and expansion of hearing office workload quality measures, such as the agreement rate associated with the percent of ALJ cases remanded or reversed in subsequent appeals.

WHAT THE AGENCY NEEDS TO DO

Continue its focus on reducing and eliminating the initial disability claims and CDR backlogs. While the Agency made progress in reducing the backlogs in recent years, it still needs to use its available resources and technology to increase its capacity to ensure it completes initial disability claims and full medical CDRs timely.

Continue simplifying work incentive regulations and creating new opportunities for returning beneficiaries to work.

Implement and monitor the CARES initiatives designed to improve timeliness and reduce the hearings backlog.

Focus resources on capacity issues to better balance processing times and workloads in hearing offices.

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's revised FY 2017 *Annual Performance Plan* related to this challenge are listed below.

- Improve customer service by reducing the wait time for a hearing decision.
- Complete the budgeted number of initial disability claims.
- Complete the budgeted number of hearing requests.
- Average processing time for initial disability claims.
- Average processing time for reconsiderations.
- Average processing time for hearing decisions.
- Ensure the quality of decisions by achieving the DDS decisional accuracy rate for initial disability decisions.
- Increase the ability to provide timely decisions by reducing the percentage of pending Appeals Council requests for review 365 days old or older.
- Increase the number of beneficiaries returning to work by achieving the number of Disability Insurance and SSI disability beneficiaries with Tickets assigned and in use who work above a trial work level.
- Complete the budgeted number of full medical CDRs.
- Complete the budgeted number of disability reconsideration claims.

KEY RELATED LINKS

Mathematica Report – *Executive Summary of the Seventh Ticket to Work Evaluation Report*, July 2013

OIG Report – *The Social Security Administration's Completion of Program Integrity Workloads* (A-07-14-24071), August 2014

OIG Report – *The Social Security Administration's Efforts to Eliminate the Hearings Backlog* (A-12-15-15005), September 2015

OIG Report – *Hearing Office Average Processing Times* (A-05-15-50083), September 2015

OIG Report – *Characteristics of Claimants in the Social Security Administration's Pending Hearings Backlog* (A-05-16-50207), September 2016

OIG Report – *Compassionate and Responsive Service Plan to Reduce Pending Hearings* (A-05-16-50167), September 2016

OIG Report – *The Ticket to Work Program* (A-02-17-50203), September 2016

OIG Report – *Pre-effectuation Reviews of Favorable Hearing Decisions* (A-12-15-50015), February 2017

OIG Report – *Oversight of Administrative Law Judge Decisional Quality* (A-12-16-50106), March 2017

OIG Report – *Reasons for Hearing-related Delays* (A-05-17-50268), June 2017

OIG Report – *Administrative Law Judges from Our February 2012 Report Who Had the Highest and Lowest Allowance Rates* (A-12-17-50220), June 2017

OIG Report – *Factors Related to Decreased Administrative Law Judge Productivity* (A-12-18-50289), September 2017

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE

> **SSA is responsible for issuing about $986 billion in benefit payments, annually, to about 69 million people. Given the large overall dollar amounts involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.**

SSA is one of several Federal agencies that have a high amount of improper payments. In its FY 2017 *Agency Financial Report*, SSA estimated it would make about $7.8 billion in improper payments in FY 2017 and it incurred an administrative cost of $0.07 for every overpayment dollar it collected. SSA also needs to adhere to the requirements in Executive Order 13520, the *Improper Payments Elimination and Recovery Act of 2010* (Pub. L. No. 111-204), and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (Pub. L. No. 112-248).

IMPROPER PAYMENT RATES

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

According to SSA, in FY 2016 (the most recent year for which data is available),

- the OASDI overpayment error was $1.9 billion, 0.21 percent of program outlays, and the underpayment error was $670 million, 0.07 percent of program outlays; and

- the SSI overpayment error was $4.3 billion, 7.62 percent of program outlays, and the underpayment error was $696 million, 1.23 percent of program outlays.

For FYs 2016 through 2018, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments. In these same years, the Agency's goal was to achieve an SSI underpayment accuracy rate of 98.8 percent. As of FY 2017, SSA had revised the SSI overpayment accuracy goal from 95 percent to 94 percent.

SSA has not met its overpayment accuracy goals—as shown in Table 1. For example in FYs 2012 through 2016, the Agency's goal was 95-percent payment accuracy for SSI, but SSA fell short of this goal in each of these years. Similarly, SSA has not met its OASDI targets for payments without overpayments, but has come close to doing so in multiple years.

Table 1: Rates and Targets for Payments Without Overpayments FYs 2012 to 2016

FY	2012		2013		2014		2015		2016	
Program	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI
Rate	93.66	99.78	92.43	99.78	93.05	99.47	93.94	99.64	92.38	99.79
Target	95.00	99.80	95.00	99.80	95.00	99.80	95.00	99.80	95.00	99.80
Met	No	No	No	No	No	No	No	No	No	No

COMPLIANCE WITH IMPROPER PAYMENT LEGISLATIVE REQUIREMENTS

In November 2009, the President signed Executive Order 13520 on reducing improper payments. Later, the *Improper Payments Elimination and Recovery Act of 2010* and *Improper Payments Elimination and Recovery Improvement Act of 2012* were enacted in July 2010 and January 2013, respectively, to refine steps agencies should take to address improper payments. As a result, all agencies with high-risk programs—those with significant improper payments—are required to intensify their efforts to eliminate payment errors. The Office of Management and Budget designated SSA's programs as high-risk.

We noted in our May 2017 report, *SSA's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the FY 2016 Agency Financial Report*, that SSA was not in compliance with the *Improper Payments Elimination and Recovery Act of 2010* requirements for meeting its targeted payment accuracy rates (which are shown in Table 1). We also noted that

> . . . for financial accounts and wage reporting, actual SSI deficiency dollars increased despite the implementation of Access to Financial Institutions and Supplemental Security Income Telephone Wage Reporting/Supplemental Security Income Mobile Wage Reporting, respectively. The Agency could not provide us data that measured the success of corrective actions because it was finalizing some of the metrics and developing others. SSA needs to develop analytical measurements to ensure a positive return on existing corrective action investments and further identify initiatives to reduce and recapture improper payments.

OVERPAYMENT RECOVERIES

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2017, it recovered $3.9 billion in overpayments at an administrative cost of $0.07 for every dollar collected and ended the FY with a $21.8 billion uncollected overpayment balance (see Figure 3).

Figure 3: Overpayments Recovered - FY 2017
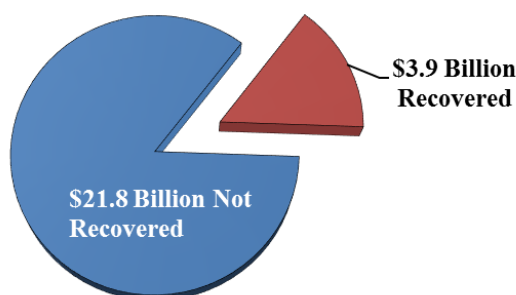
AGENCY ACTIONS

IMPROPER PAYMENT CAUSES

One of the major causes of improper payments in the OASDI program is beneficiaries' failure to timely report earnings or SSA not timely withholding monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. Similarly, a major cause of improper payments in the SSI program is recipients' failure to accurately and timely report financial accounts or wages. As we noted in a May 2017 report, SSA's overpayment deficiency dollars related to financial accounts decreased from nearly $1.4 billion in FY 2008; however, from 2014 to 2015, the dollar amount rose from $946.2 million to $1.1 billion (see Figure 4).

**Figure 4: Financial Account Overpayment Deficiency Dollars
(FYs 2006 Through 2015)**
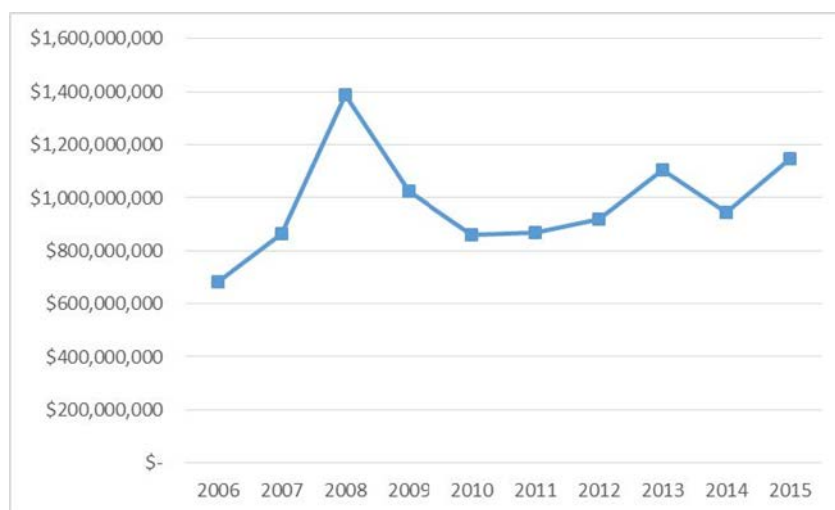
With the enactment of the *Bipartisan Budget Act of 2015* (Pub. L. No. 114-74), SSA was given a new tool to obtain wage data sooner. A provision in this new law allows SSA to enter into information exchanges with payroll data providers to obtain wage data (without the need for independent verification) to efficiently administer OASDI and SSI benefits and prevent improper payments. It also allows the Agency to require that individuals provide authorization to obtain payroll data. SSA continues taking steps to implement the legislation.

DEBT COLLECTION TOOLS

SSA uses such methods as benefit withholding and billing with follow up to collect debt related to overpayments. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal salary offset. According to SSA, in the future, it will ". . . implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value."

CDRS AND REDETERMINATIONS

The CDR is a tool for reducing improper payments. Through completed CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. SSA estimates that it saves about $10 for every $1 budgeted for CDRs, including Medicare and Medicaid program effects.

According to SSA, another important program integrity tool is SSI non-medical redeterminations, which are periodic reviews of such non-medical eligibility factors as income and resources. SSA estimated that non-medical redeterminations yield a return on investment of about $3 on average over 10 years per $1 budgeted for this workload. However, budgetary constraints determine the number of redeterminations that SSA conducts each year.

> ## WHAT THE AGENCY NEEDS TO DO
>
> **Identify and prevent improper payments through automation and data analytics.** SSA needs to use available data to better identify changes that affect beneficiaries' and recipients' benefit payments. For example, we have previously recommended that SSA use its own data to identify anomalies that suggest a beneficiary may be ineligible.
>
> **Expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when SSI recipients self-report information.**

KEY RELATED PERFORMANCE MEASURES

The key improper payment related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments.

- Improve the integrity of the SSI program by ensuring that 94 percent of SSI payments are free of overpayment.

- Complete the budgeted number of full medical CDRs.

- Complete the budgeted number of SSI non-medical redeterminations.

KEY RELATED LINKS

Federal Payment Accuracy Website

Office of Management and Budget Memorandum Circular No. A-123, Memorandum M-15-02, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, October 20, 2014

OIG Report – Controls over Death Underpayments Paid to Non-beneficiaries (A-09-16-50114), June 2017

OIG Report – Supplemental Security Income Recipients Who Have Life Insurance Policies with Cash Surrender Values (A-02-16-21186), June 2017

OIG Report – Recovering Supplemental Security Income Overpayments from Jointly Liable Recipients (A-07-17-50201), May 2017

OIG Report - The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2016 Agency Financial Report (A-15-17-50255), May 2017

IMPROVE CUSTOMER SERVICE

CHALLENGE

> **SSA faces challenges as it pursues its mission to deliver quality services to the American public, including an increase in workloads as experienced employees are expected to retire.**

INCREASE IN SSA WORKLOADS

SSA's workloads have grown with the aging of the baby boomer population. In FY 2017, the Agency served over 42 million visitors in over 1,200 field offices nationwide, a 5-percent increase from over 40 million visitors in FY 2015. Its major field office workloads include

- processing original or replacement Social Security number (SSN) card applications;

- taking applications and determining non-medical eligibility for OASDI and SSI benefits;

- conducting non-medical eligibility reviews to ensure payment accuracy; and

- performing other functions, such as updating beneficiary records and answering telephone calls.

In 2017, SSA estimated the retirement of the baby boom generation would increase the number of beneficiaries through 2037, thereby increasing the Agency's workload. Based on the estimates, SSA expected the number of beneficiaries to increase by 43 percent over the next 20 years. See Figure 5 for the estimated increase of beneficiaries from 2017 to 2040.

Figure 5: Number of Social Security Beneficiaries (in Millions) - Next 20 Years
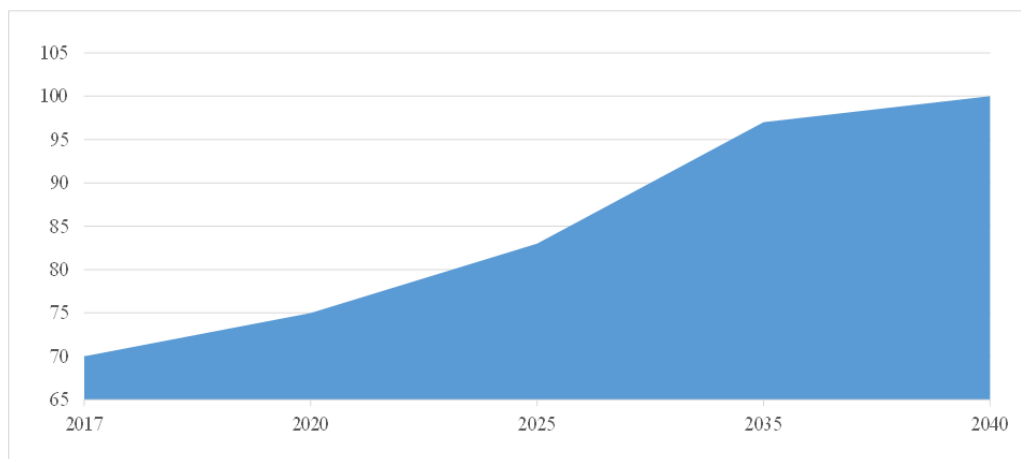
The Agency acknowledges it must have the resources to process initial claims applications for benefits and maintain its ongoing workloads after individuals become entitled to benefits.

LOSS OF EXPERIENCED EMPLOYEES AND INSTITUTIONAL KNOWLEDGE

SSA stated that one of its greatest challenges is replacing the loss of its most experienced employees, especially in the Agency's current leadership ranks. In its October 2017 issue of *Workforce at a Glance*, SSA reported about 31 percent of its employees were baby boomers or older, and about 15 percent of its employees were eligible for retirement. See Figure 6 for the age of SSA's workforce.

Figure 6: Age of SSA's Workforce by Generation as of the end of FY 2017
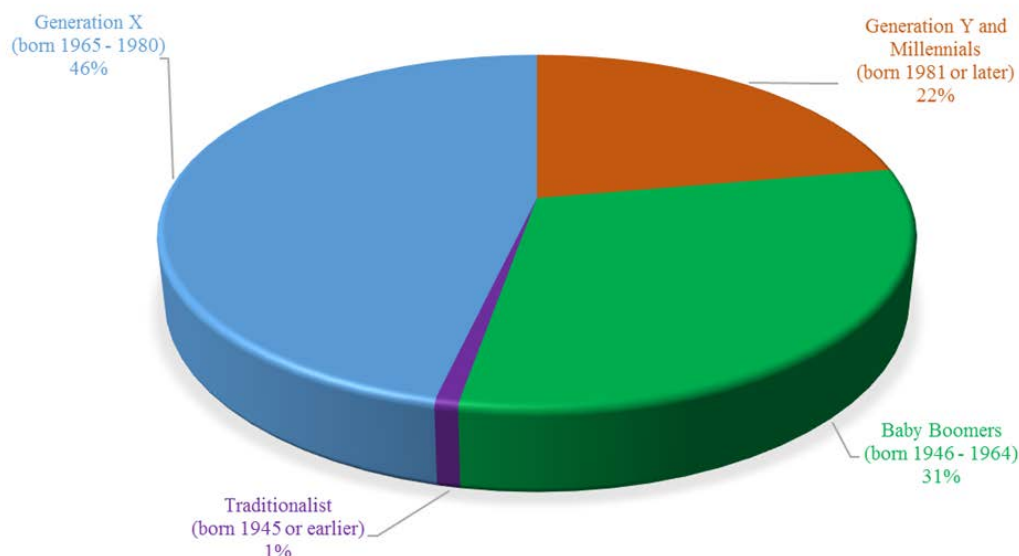
SSA also reported that more than 50 percent of its senior executives and 30 percent of its frontline supervisors were eligible to retire. At the end of FY 2017, SSA expected about 1,952 of its 6,504 supervisors would be eligible for retirement in the next 5 years. Without leadership development and succession planning, the loss of supervisors because of retirement will result in a lack of both experience and institutional knowledge.

ONLINE SERVICE DELIVERY OPTIONS

The demand for online services is expected to increase as the baby boom generation ages. SSA completed over 155 million transactions via SSA's online services in FY 2017, a 29-percent increase from FY 2016 and a 78-percent increase from FY 2015.

According to the Pew Research Center, about 90 percent of American adults use the Internet, and 77 percent own smartphones that permit them to connect "on the go." As Americans embrace mobile technology, SSA should continue enhancing its online services to increase use and reduce unnecessary field office visits. With increased use of online services, SSA can introduce new opportunities to service its customers and have more time for customers who need or prefer to complete business face to face.

OVERSIGHT OF THE REPRESENTATIVE PAYMENT PROGRAM

Some of the Agency's most vulnerable beneficiaries—including the young, aged, and disabled—depend on representative payees to receive and manage their Social Security benefits. In its 2016 *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews*, the latest such report available, SSA reported there were about 6 million representative payees managing $70 billion in annual benefits.

SSA faces dramatic increases in the need for representative payees as the population ages and a greater number of beneficiaries will require assistance managing their benefits. The Agency estimates the number of adult beneficiaries who will need a representative payee will increase 21 percent from 2.94 million in 2013 to 3.56 million in 2035. In February and March 2017, Congress held hearings that focused on SSA's determinations of whether beneficiaries need representative payees and how SSA selects and monitors those serving as representative payees.

We continue to identify challenges with SSA's administration of the Representative Payment Program. Some of our most recent audits have found SSA needs to improve controls to ensure it

- makes and documents capability determinations for disabled beneficiaries who previously had a representative payee;

- generates system alerts when there is a discrepancy between representative payee information in the electronic representative payee system and its payment records;

- does not improperly suspend mother/father and spousal beneficiaries who have a child in care and are serving as representative payees for children; and

- does not make payments to representative payees who are not in its electronic representative payee system.

Further, our investigations have identified various types of representative payee fraud. For example, we found representative payees that

- received benefits for children who were not in their custody or care for several years;

- filed fraudulent representative payee applications for benefits on behalf of children;

- failed to report beneficiaries' deaths and continued receiving and using their monthly benefits for several years; and

- misappropriated funds from various beneficiaries and used the funds for their personal use.

AGENCY ACTIONS

SSA is continuing its effort to implement its long-term vision of superior customer service by incorporating strategic goals to meet the increasing demand for SSA services. In addition, the Agency is automating processes and developing online tools that will capitalize on technology. Finally, the Agency continues improving how it selects and monitors payees in the Representative Payment Program.

AGENCY'S EFFORTS TO IMPLEMENT VISION 2025

SSA's *Annual Performance Plan for Fiscal Year 2018 and Revised Performance Plan for 2017* detailed the current priorities and goals it has set to measure the Agency's progress for delivering innovative, quality services. The actions in that document align with the three priorities, including superior customer experience, established in SSA's *Vision 2025*.

One of our reviews reported that SSA was using short-term strategic planning documents to support a broadly stated "aspirational vision." In response to our report, SSA stated it further translated the three vision priorities into measurable goals by creating critical priorities. Recently, the Agency has focused on seven critical priorities for 2016 and 2017. Of the seven, four priorities are related to improving customer service: (1) Advance Customer Engagement; (2) Advance Service Delivery in SSA's Disability Programs; (3) Enhance Knowledge of Social Security Retirement and Disability Programs; and (4) Enhance Quality and Payment Accuracy for SSA's Customers.

EMPLOYEE DEVELOPMENT AND SUCCESSION PLANNING

SSA recognizes it must be diligent in developing leaders and succession planning to combat the loss of experience and institutional knowledge. At the end of FY 2017, the Agency launched the Career Path Website to inform employees of potential career paths and resources they may use to enhance their career planning. In addition, the Agency participated in National Career Development programs, such as the Senior Executive Service Candidate Development Program, that develops transferable executive skills of employees with high potential for a Senior Executive Service leadership role.

ONLINE SERVICE DELIVERY

To deliver innovative and quality services to the American public, SSA developed the strategic objective to develop and increase the use of self-service options. In FY 2017, SSA reported it

- partnered with over 70 external locations, such as local, State, or Federal agencies, to provide video service delivery that allowed the public to complete their business with SSA from those external locations;

- made self-help personal computers available in over 800 SSA field offices nationwide;

- offered the use of the Internet Social Security Number Replacement Card to 24 States and the District of Columbia for individuals to request a replacement SSN card;

- expanded the iClaim process to include certain SSI applications;

- expanded online appeals so individuals can electronically file an appeal on a non-medical claim; and

- enhanced *my* Social Security portal by adding the Get Help widget and Message Center.

REPRESENTATIVE PAYMENT PROGRAM

SSA acknowledges representative payees play a significant role in many beneficiaries' lives, and it explores ways to better identify, screen, and appoint representative payees. SSA also continues identifying representative payees that misuse funds. In its January 2017 report to Congress, SSA stated it conducted 2,590 payee reviews and removed 38 representative payees for misusing beneficiary funds or because of poor performance of duties.

In 2017, SSA reported it made the following improvements to its Representative Payment Program.

- Hired a contractor to assist in performing site reviews of representative payees.

- Consolidated and clarified its capability determination policy to ensure SSA employees consistently develop and document their determinations.

- Implemented enhancements to the electronic Representative Payee System to ensure capability determinations are documented.

- Amplified the release of the new capability policy and capability systems enhancement by delivering comprehensive training through a nationwide video-on-demand to all field office employees.

In addition, SSA reported it used a criminal bar policy to protect vulnerable beneficiaries from potential misuse of benefits by excluding representative payee applicants who had committed certain serious crimes, such as human trafficking, false imprisonment, and kidnapping. However, one of our reviews found that, until April 2016, SSA did not have a system to prevent its employees from selecting individuals as representative payees who had been convicted of barred crimes.

WHAT THE AGENCY NEEDS TO DO

Continue developing and implementing strategies that will provide quality services to the public now and in the future, while overcoming challenges related to an aging population, loss of institutional knowledge, and evolving technology trends.

Explore ways of strengthening its controls for administering the Representative Payment Program, including selection of payees. Also, improve monitoring of representative payee performance to prevent benefit misuse.

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's revised FY 2017 *Annual Performance Plan* related to this challenge are listed below.

- Increase customer satisfaction with SSA services.
- Achieve the target speed in answering National 800-Number calls.
- Achieve the target busy rate for National 800-Number calls.
- Improve customer service by reducing the wait time for a hearing decision.
- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Provide secure and effective services to the public by improving cyber-security performance.

KEY RELATED LINKS

SSA's *Agency Strategic Plan Fiscal Years 2014-2018*

SSA's Annual Performance Plan for Fiscal Year 2018, Revised Annual Performance Plan for Fiscal Year 2017

SSA's Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2016

SSA's *FY 2017 Budget Overview*

SSA's *FY 2018 Budget Overview*

SSA's Vision 2025

The Board of Trustees - *The 2017 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds,* July 2017

SSA's 2016 Annual Report of the Supplemental Security Income Program

Pew Research Center - *Internet & Technology: Mobile Fact Sheet,* May 2017

Pew Research Center - *Internet & Technology: Internet/Broadband Fact Sheet,* January 2017

OIG Report - *Congressional Response Report: The Social Security Administration's Vision 2025 Plan* (A-02-16-50125), March 2016

OIG Report - *Benefits Payable to Child Beneficiaries Whose Benefits Were Withheld Pending the Selection of a Representative Payee* (A-09-16-50088), September 2016

OIG Report - *Disabled Beneficiaries Receiving Direct Payments Who Previously Had a Representative Payee* (A-09-17-50205), December 2016

OIG Report - *Customer Waiting Times in the Social Security Administration's Field Offices* (A-04-17-50216), December 2016

OIG Report - *Individual Representative Payees Who Do Not Have a Social Security Number in the Social Security Administration's Payment Records* (A-09-19-50159), February 2017

OIG Report - *Beneficiaries Whose Payments Have Been Suspended for No Child in Care and Who Are Serving as Representative Payees for Children* (A-09-17-50200), February 2017

OIG Report - *Active Representative Payees Who are Not in the Social Security Administration's Electronic Representative Payee System* (A-09-14-34120), February 2017

OIG Report - *Individuals Barred from Serving as Representative Payees* (A-03-16-50156), August 2017.

MODERNIZE INFORMATION TECHNOLOGY INFRASTRUCTURE

CHALLENGE

SSA must modernize its IT to accomplish its mission despite budget and resource constraints.

Few Federal agencies touch as many people as SSA; and IT plays a critical role in SSA's day-to-day operations. However, SSA's aging IT infrastructure is increasingly difficult and expensive to maintain. The Agency continues relying on outdated applications and technologies to process its core workloads (for example, retirement and disability claims). Many of SSA's legacy applications were programmed with Common Business Oriented Language. SSA maintains more than 60 million lines of Common Business Oriented Language, along with millions more lines of other legacy programming languages. According to the Agency's Chief Information Officer, these legacy systems are not sustainable.

In FY 2017, SSA spent $1.8 billion on IT. According to SSA, budget constraints have forced it to use much of its IT funding to operate and maintain existing systems. To ensure SSA can keep pace with increasing workloads, it must maintain its legacy systems while developing their modern replacements.

Cloud technology has become universal in the industry. Many organizations have realized benefits by extending their technology offerings with a mix of public and on-premise cloud offerings, tuned to meet customer, technology, and service demands. In line with this cloud strategy, SSA developed the Agency Cloud Initiative (ACI) to supplement its legacy infrastructure with the use of cloud technologies and automation. ACI creates an infrastructure that enables SSA's overall IT Modernization plans.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

Since SSA launched *my* Social Security in 2012, over 32.7 million customers have created accounts. According to SSA, in FY 2017, more than half of all Social Security retirement and disability applications were filed online, and customers completed over 155 million transactions using the Agency's Website. Still, the Agency saw about 42 million visitors in its field offices and handled over 36 million calls to its National 800-Number.

To reduce unnecessary field office visits, SSA continues enhancing its online services to provide the public a secure, convenient self-service option. To support its increasing workloads, SSA has developed and implemented over 30 electronic services for the public, businesses, and other government agencies.

One of the Agency's priorities is to improve customer service and convenience by increasing online transactions. To achieve that goal, SSA continues enhancing its *my* Social Security online portal. For example, SSA plans to redesign the portal and expand the services within *my* Social Security to additional user groups, including representative payees, appointed representatives, and business users. In addition, the Agency will enhance security and improve the portal's design to allow broader access from a variety of devices, such as smartphones and tablets. In September 2016, we recommended that SSA improve its access controls for *my* Social Security. The Agency is working to enhance the portal's security and online fraud detection capabilities.

IMPLEMENTATION OF MAJOR IT PROJECTS

SSA faces challenges in executing and implementing major IT projects and delivering expected functions on-schedule and within budget.

DISABILITY CASE PROCESSING SYSTEM

To simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs, SSA is developing the Disability Case Processing System (DCPS). Once it is implemented, all DDSs will use DCPS. Historically, the project has faced schedule delays and increasing stakeholder concerns.

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, we completed three reviews of the DCPS project in FY 2017. In the first, we concluded SSA did not estimate the costs it will incur to develop sufficient functionality into DCPS to retire the legacy systems or the associated timeframe for deployment to the DDSs. Also, we reported that the Agency should evaluate its plans to ensure it can demonstrate to Congress and the public that it had chosen the most cost-effective alternative to achieve its goals and continue to do so as new challenges or opportunities occur.

In the second review, we reported that SSA plans to deliver the functionality needed to process all initial disability claims and reconsiderations (as well as initial continuing disability reviews) by January 2018. However, the Agency's ability to meet its delivery goals will depend on the future growth of the functional requirements backlog and the velocity with which SSA completes the requirements. SSA should continue reviewing its delivery targets to ensure they are feasible, considering the resources committed to the project and the Agency's development experience to-date.

In the last review, we reported SSA's goals to deliver functionality to support all initial and reconsideration cases by January 2018 and all remaining workloads including continuing disability reviews and disability hearings by April 2018. However, we concluded that SSA's ability to meet its goals will depend not only on the velocity with which it completes the backlog of functional requirements identified to-date but also the volume of work yet to be identified.

ACI

ACI is a cross-component project within the Office of Systems that will provide on-premise and public cloud infrastructures, platforms and applications/services to meet the Agency's service delivery and business operations requirements. SSA's traditional infrastructure will be augmented with on-premise cloud services, to be hosted in its two national co-processing data centers, and public cloud services for availability, flexibility, and cost-efficiency. The strategic deployment and management of this broad initiative enables SSA to leverage the cloud-computing model as an IT services broker.

SSA positioned a cloud development environment, the Enterprise Data Warehouse, and DCPS in the Agency's public cloud. In 2017, SSA plans further modernization efforts with a number of applications moving to the Agency's public cloud. These applications include a customer engagement message center, electronic notices, appointment and calendar service, electronic records management architecture, and a human resources portal.

IT INVESTMENT PROCESS

Finally, according to the recent post-implementation review (PIR) reports, although SSA generally was able to verify and compare costs, functionality impact, and other areas, it could not quantify the benefits or calculate the return on investment for these projects.

AGENCY ACTIONS

IT MODERNIZATION PLAN

For several years, SSA has worked incrementally to modernize its IT infrastructure. However, the Agency's Chief Information Officer has acknowledged the Agency must undertake a larger, multi-year effort.

In FY 2016, SSA began reorganizing its data into a modern architecture and developing a framework to allow real-time updates (in contrast to legacy systems that batch transactions). According to SSA, it is also moving to modernize its software engineering tools and skills. However, SSA needs a sustained, long-term investment to make the changes needed to develop a fully modern IT infrastructure capable of supporting the Agency's vast and complex operations.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

SSA expanded availability of its online application process for replacement Social Security cards to over half of the U.S. population, with full implementation expected by the end of FY 2018. The Agency also added online capabilities for individuals to check the status of applications and appeals through the *my* Social Security portal. In addition, individuals can appeal non-medical decisions online.

IMPLEMENTATION OF MAJOR IT PROJECTS

DCPS

SSA has taken steps to get the DCPS project on track. At the end of FY 2017, 9 participating DDSs had used DCPS to process over 2,100 disability claims. SSA expects to complete development—and deploy DCPS to about half the DDSs—by April 2018 at a total cost of about $86.5 million. In addition, SSA projects it will spend approximately $33 million from April 2018 through September 2019 to deploy DCPS to all remaining DDSs. SSA is planning for DDSs to begin retiring their legacy systems in FY 2019. By the end of FY 2020, the Agency expects all legacy systems will be retired. SSA estimates it will spend about $6.5 million each year, beginning in FY 2020, to operate and maintain DCPS.

ACI

As SSA implements cloud technology, it expects to receive further flexibility to allocate systems resources to meet changing demands. Cloud technology improves systems availability and performance at a lower cost.

In 2017, SSA completed the implementation of an on-premises cloud proof of concept. In FY 2018, the Agency expects to complete the design for an Agency hybrid cloud. This platform will allow applications to use resources in public clouds and the on-premise SSA cloud simultaneously. In FY 2019, the Agency plans to build and implement the hybrid cloud services.

IT INVESTMENT PROCESS

SSA developed a new IT Investment Process that it expects will improve how it manages and invests in IT. The IT Investment Process will focus on up-front project planning with outcomes tied to specific Agency goals. An enterprise-wide executive IT investment board will meet throughout the year to make funding decisions on projects that provide the greatest benefit to the Agency. As a result, SSA believes it will be better able to deliver the right project on time and within budget.

In recent years, SSA has established policy and procedures for PIR and has been performing PIRs for selected projects. During the PIR, actual costs, benefits, schedule, and identified risks are compared to the original project estimates to assess the IT investment's performance and identify areas for improvement.

WHAT THE AGENCY NEEDS TO DO

Prioritize and adequately fund IT modernization activities.

Ensure the Agency's IT planning and investment control processes are effective.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 million each year.

- Enhance IT infrastructure by incorporating innovative advances in service delivery.

- Provide uninterrupted access to SSA systems during scheduled times of operation.

- Implement the consolidated enterprise database and the Enterprise Data Warehouse to improve service delivery and make faster data-driven decisions.

KEY RELATED LINKS

OIG Report - The *Social Security Administration's Management of Information Technology Projects* (A-14-07-17099), July 2007

OIG Report - *Congressional Response Report: The Social Security Administration's Analysis of Alternatives for the Disability Case Processing System* (A-14-16-50078), May 2016

OIG Report - *The Social Security Administration's National Support Center: Progress Report as of April 2016* (Limited Distribution) (A-14-16-50101), July 2016

OIG Report - *Access to the Social Security Administration's my* Social Security *Online Services* (Limited Distribution) (A-14-15-15010), September 2016

OIG Report - *Congressional Response Report: Costs Incurred to Develop the Disability Case Processing System* (A-14-16-50099), September 2016

OIG Report - *Congressional Response Report: Progress in Developing the Disability Case Processing System as of November 2016* (A-14-17-50174), December 2016

OIG Report - *Congressional Response Report: Progress in Developing the Disability Case Processing System as of March 2017* (A-14-17-50079), April 2017

OIG Report - *Congressional Response Report: Progress in Developing the Disability Case Processing System as of August 2017* (A-14-17-50221), September 2017

SECURE INFORMATION SYSTEMS AND PROTECT SENSITIVE DATA

CHALLENGE

> **SSA must ensure its information systems are secure and sensitive data are protected.**

Federal information systems—and the information they hold—are increasingly becoming targets of cyber-attacks. Breaches at several Federal agencies have underscored the importance of securing Federal systems and protecting sensitive information. The information SSA houses on nearly every U.S. citizen is invaluable to would-be hackers and potential identity thieves. Consequently, the Agency's information systems may be at particular risk of attack. Given the highly sensitive nature of the personal information in its systems, it is imperative that SSA have a robust information security program.

SSA continues expanding its online services to improve customer service. The Agency is also developing systems in the cloud, which creates security concerns with housing sensitive Agency information in public clouds. It is important as SSA expands its services and systems to implement security during the development process.

INFORMATION SECURITY PROGRAM

Our prior audit and investigative work has revealed a number of concerns with the security of SSA's information systems. Since FY 2012, auditors have identified weaknesses that, when aggregated, created a significant deficiency in SSA's overall information systems security program that compromised the security of the Agency's information and information systems. Additionally, other audits and evaluations have identified serious concerns with SSA's information security program.

In our most recent report on SSA's compliance with the *Federal Information Security Modernization Act of 2014* (FISMA) (Pub. L. No. 113-283), KPMG LLP (KPMG) determined that SSA had established an Agency-wide information security program. However, KPMG identified a number of deficiencies that may limit the Agency's ability to protect the confidentiality, integrity, and availability of SSA's information systems and data. The deficiencies identified in each FISMA reporting metric domain—risk management, configuration management, identity and access management, security training, information security continuous monitoring, incident response, and contingency planning—are consistent with those cited in prior reports on SSA's FISMA compliance.

SECURING ONLINE SERVICES

As part of the Administration's *Cybersecurity National Action Plan*, agencies must take steps to safeguard personal data in online transactions between citizens and the Government, including adopting and using effective identity proofing and strong multi-factor authentication methods.

One of the Agency's priorities is to develop and increase the use of self-service options. To achieve that goal, SSA plans to expand the services available under its *my* Social Security online portal. For example, SSA plans to provide direct access to certain information and notices through its online services.

While expanding its inventory of electronic services, the Agency needs to ensure those services are secure. Prior investigative and audit work have identified multiple incidents of fraud committed through SSA's electronic services. For example, despite controls to prevent unauthorized access to *my* Social Security, we continue receiving fraud allegations related to *my* Social Security accounts. A major credit reporting agency recently disclosed it had suffered a cyber-security incident in which sensitive data were compromised. SSA uses that agency

to verify the identities of either new registrants or existing *my* Social Security users. However, SSA's preliminary assessment concluded there was no impact on the integrity of the Agency's identity proofing process.

In June 2017, SSA released enhancements to its *my* Social Security portal. These enhancements require that SSA use an email address or telephone number for future contact with account holders. However, this requirement does not provide additional assurance the user is the legitimate numberholder. We recognize online services are an important component of SSA's strategy to deliver services to the public during a period of increasing workloads and constrained resources. Still, we believe SSA's primary responsibility must be safeguarding the sensitive information the American public has entrusted to the Agency. To ensure citizens' sensitive information is adequately protected, we believe the Agency needs to strengthen the authentication process for the *my* Social Security portal by implementing technologies that meet the requirements for its higher assurance level.

SECURING CLOUD COMPUTING SERVICES

Cloud computing is a general term for delivering hosted technology services over the Internet. It is SSA's policy that no sensitive, personally identifiable information or Federal tax information is stored in, transmitted to, or processed in external cloud environments without authorization from the Chief Information Security and Chief Information Officers. Cloud-based systems must comply with FISMA requirements, Federal Risk and Authorization Management Program requirements, and any additional Agency requirements in SSA's Information Security Policy.

In 2014, we evaluated SSA's cloud computing technologies. We conducted the review early in SSA's cloud-adoption process and encouraged SSA to consult with the Office of Management and Budget on Federal requirements for cloud use. We started a new review of SSA's cloud environment in September 2017. Our objective is to determine whether the cloud environment is protecting the Agency's sensitive information.

AGENCY ACTIONS

SSA acknowledges it must be mindful of potential cyber-threats and remain committed to protecting privacy and security. One of the Agency's goals is to ensure its IT services are reliable, secure, and efficient. As part of that effort, SSA plans to strengthen its information security program.

INFORMATION SECURITY PROGRAM

SSA's Office of Information Security has developed its Cybersecurity Strategic and Cybersecurity Tactical plans that include many strategies and initiatives to address IT and cyber-security challenges within each functional area of the National Institute of Standards and Technology's (NIST) Cybersecurity Framework for the next 3 to 4 years. SSA started some of these initiatives, including projects to address privileged user access issues, monitoring mainframe vulnerabilities, and network segmentation. However, SSA has yet to start some important projects that would further strengthen its security program.

SECURING ONLINE SERVICES

SSA believes the changes to the *my* Social Security portal it implemented on June 10, 2017 addressed the authentication requirements contained in Executive Order 13681, *Improving the Security of Consumer Financial Transactions*, which was released in October 2014. While SSA's new authentication plan requires an email address or telephone number for future contact with the account holder, which is an improvement over the current process, it does not provide additional assurance the user is the legitimate numberholder. Our biggest concern is that SSA has not strengthened the identity-proofing process to ensure the user creating an account is who he/she claims to be.

In March 2016, an Agency risk assessment of the *my* Social Security portal concluded the portal required high confidence in the validity of an individual's identity. Based on the higher assurance level SSA determined, the *my* Social Security portal requires multi-factor authentication. Multi-factor authentication indicates the use of more than one authentication factor: something you know, something you have, or something you are.

In June 2017, NIST released a special publication, *Digital Identity Guidelines*, that provides agencies with guidelines for digital authentication of individuals to federal systems over a network. The new guidance revised requirements with the levels of assurance in the risk assessment process. With the changes in requirements, SSA may need to perform a new risk assessment for the *my* Social Security portal. NIST also states agencies making personal data accessible to citizens through digital applications require the use of multiple factors of authentication.

WHAT THE AGENCY NEEDS TO DO

Address the deficiencies identified by the independent auditor that, when aggregated, are considered to be a significant deficiency in SSA's information security program.

Ensure the electronic services the Agency provides are secure.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Increase secure access to the public's data.
- Enhance IT infrastructure by incorporating innovative advances in service delivery.
- Provide secure and effective services to the public by improving cyber-security performance.

KEY RELATED LINKS

OIG Report - *The Social Security Administration's Management of Electronic Message Records* (A-14-15-25025), February 2016

OIG Report – *Congressional Response Report: The Security of Systems that Provide Access to Personally Identifiable Information* (Limited Distribution) (A-14-16-50173), August 2016

OIG Report - *Access to the Social Security Administration's my Social Security Online Services* (Limited Distribution) (A-14-15-15010), September 2016

OIG Report - *The Social Security Administration's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2016 (Limited Distribution) (A-14-17-50151),* November 2016

OIG Report - *Security of the Social Security Administration's Public Web Applications* (Limited Distribution) (A-14-17-50152), April 2017

STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

CHALLENGE

> **Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring eligible individuals receive the full benefits they are due.**

In FY 2017, SSA issued over 16 million original and replacement SSN cards (see Figure 7). In addition, for Tax Year 2016, the Agency received and processed about 274 million wage items, totaling approximately $6.6 trillion in earnings. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and eligible individuals receive the full benefits due them.

Figure 7: Original and Replacement SSN Cards Issued
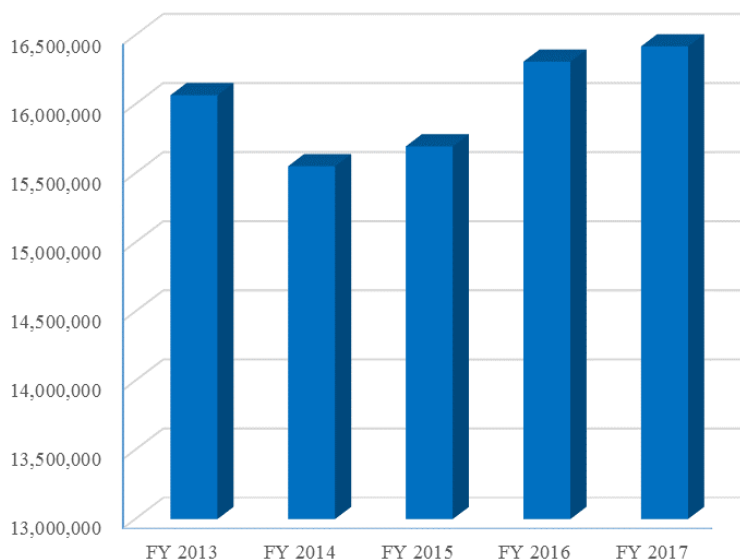
SSN USE

The SSN is relied on as an identifier in U.S. society and is valuable as an illegal commodity. Additionally, the SSN is critical in accurately recording workers' earnings on which future benefit payments are based. As such, properly assigning SSNs only to those individuals authorized to obtain them, protecting SSN information once the Agency assigns the numbers, and accurately posting the earnings reported under SSNs are critical SSA missions.

SSN MISUSE

Given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protecting this critical number is a considerable challenge for SSA as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control how other entities collect, use, and protect it. For example, some government and non-government organizations unnecessarily collect and use SSNs as a primary identifier. Yet, our audit and investigative work have shown that the more SSNs are unnecessarily used, the higher the probability individuals could use them to commit crimes.

We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. We are also concerned that some individuals misuse SSNs for identity theft purposes. A September 2015 Bureau of Justice Statistics release estimated that 17.6 million U.S. residents age 16 or older were victims of at least 1 incident of identity theft in 2014.

EARNINGS

SSA's programs depend on earnings information to determine whether an individual is eligible for benefits and calculate the amount of benefit payments. Properly posting earnings ensures eligible individuals receive the full retirement, survivors, and/or disability benefits due them. If employers report earnings information incorrectly or not at all, SSA cannot ensure all individuals entitled to benefits are receiving the correct payment amounts.

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over $1.5 trillion in wages and 360 million wage items for Tax Years 1938 through 2016. As shown in Figure 8, in Tax Year 2016 alone, SSA posted about 8.9 million wage items, representing $98 billion in wages, to the ESF.

Figure 8: ESF Suspended Wage Items (1938 to 2016)
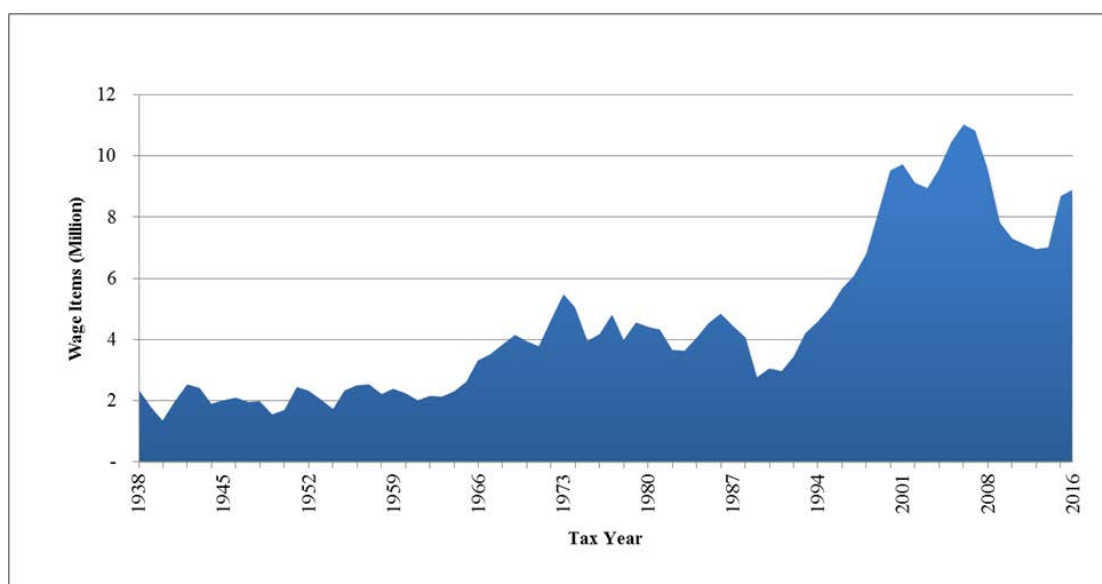
AGENCY ACTIONS

SSA has taken steps to streamline its enumeration process. For example, SSA released the *Internet-based Social Security Number Replacement Card* application in November 2015. This allows SSA to reduce the number of replacement card requests in field offices and Social Security Card Centers. In FY 2017, SSA processed nearly 500,000 replacement card applications via the *Internet-based Social Security Number Replacement Card* application. While we believe this initiative may enhance customer service, SSA must ensure it takes necessary steps to minimize the risk of individuals fraudulently obtaining a replacement card.

In addition, SSA has strengthened its policy for processing requests for the SSN printout and no longer provides SSN printouts to the public except in certain disaster situations. If an individual needs proof of his/her SSN and does not have an SSN card, he/she must request a replacement by completing an *Application for a Social Security Card* and providing the required documentation.

SOCIAL SECURITY NUMBER VERIFICATION SERVICE

SSA has taken steps to reduce the size and growth of the ESF. The Agency has offered employers the ability to verify their employees' names and SSNs using the Agency's SSN Verification Service before reporting wages to SSA. For the last 5 years, beginning in 2013, the number of verification transactions for SSN Verification Service has steadily increased from 111 to 156 million. In FY 2017, approximately 33,000 registered employers had submitted about 171 million verifications (see Figure 9).

**Figure 9: Social Security Number Verification Service Verifications
FYs 2013 Through 2017**

Fiscal Year	2013	2014	2015	2016	2017
Transactions (Millions)	111	121.5	134.8	179.1	171.2
Employers	38,421	36,712	34,496	34,352	33,692
Mismatch Rate	4.28	5.6	6.26	5.14	4.15
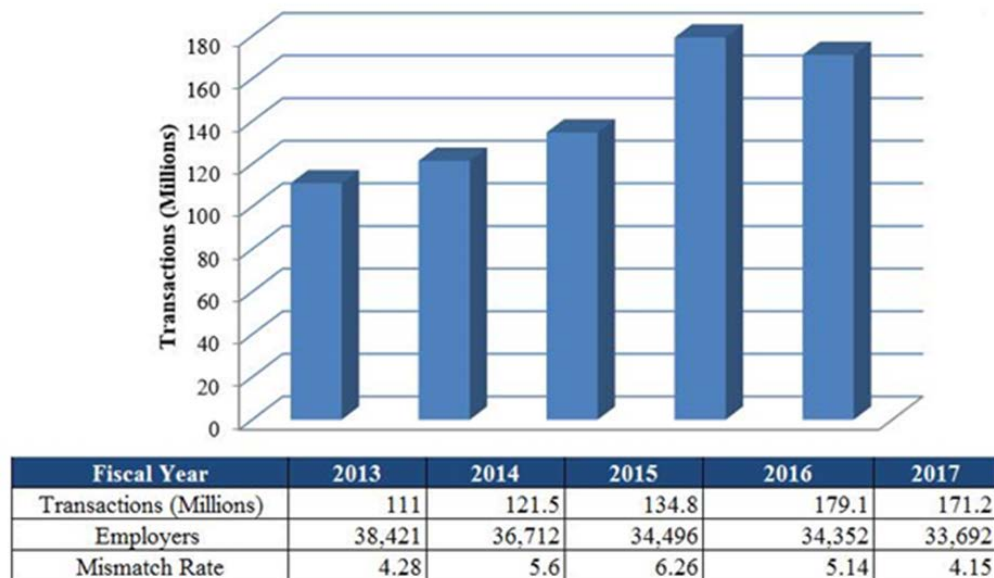
E-VERIFY

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying electronically the employment eligibility of newly hired employees. According to the Department of Homeland Security, about 730,000 employers have enrolled to use E-Verify as of June 2017, which is the most current data available. Beginning in FY 2013, the number of registered users has steadily increased from 477,000 to 730,000 as shown in Figure 10. In FY 2017 (as of June 2017), more than 26 million queries were submitted.

Figure 10: Enrollment in E-Verify
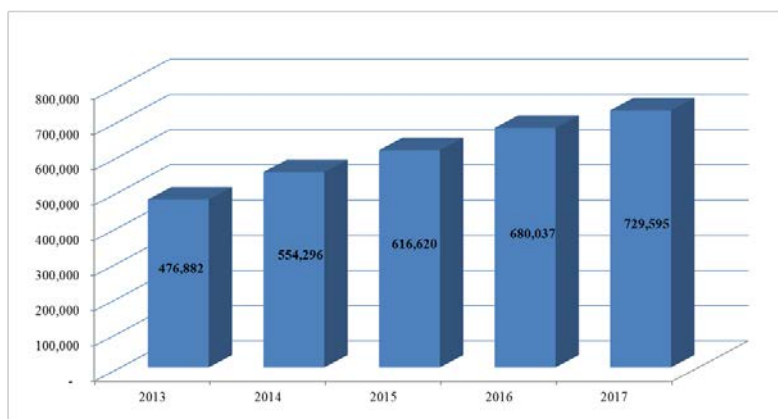
WHAT THE AGENCY NEEDS TO DO

Continue to be vigilant in the protection of SSNs. We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States as well as the misuse of SSNs for identity theft purposes.

Ensure that any electronic applications related to SSN card issuance offered through _my_ Social Security include an effective authentication process.

Improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s from being posted, and encouraging greater use of the Agency's employee verification programs. SSA can also improve coordination with other Federal agencies with separate, yet related, mandates. For example, the Agency needs to work with the Internal Revenue Service to achieve more accurate wage reporting.

KEY RELATED PERFORMANCE MEASURES

The key SSN-related performance measure from SSA's revised FY 2017 *Annual Performance Plan* is listed below.

● Improve the timeliness of the earnings data used to calculate benefits.

KEY RELATED LINKS

OIG Report – *Improper Use of Children's Social Security Numbers* (A-03-12-21269), March 2014

OIG Report – *Access Controls over the Business Services Online* (Limited Distribution), (A-03-13-13015), June 2014.

OIG Report – *Internet Social Security Number Replacement Card Project* (Limited Distribution) (A-08-14-24096), July 2014

OIG Report – *The Social Security Administration's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project* (Limited Distribution) (A-14-14-24130), May 2015

OIG Report – *Status of the Social Security Administration's Earnings Suspense File* (A-03-15-50058), September 2015

OIG Report – *Social Security Administration Correspondence Containing Full Social Security Numbers* (A-04-15-50070), April 2016

OIG Report – *Improper Use of Elderly Individuals' Social Security Numbers (A-03-16-24028),* January 2017

OIG Report – *Social Security Numbers Assigned and Benefits Paid to Refugees, Parolees, and Asylees (A-08-16-50142),* July 2017

OIG Report – *Cross-referred Social Security Numbers (A-06-13-23091),* July 2017

STRENGTHEN PLANNING, TRANSPARENCY, AND ACCOUNTABILITY

CHALLENGE

> **Planning, transparency, and accountability are critical factors in effective management. Failure to plan properly to meet its mission and challenges will lessen the Agency's ability to provide its services efficiently and effectively now and in the future. Similarly, mismanagement and waste as well as a lack of transparency for citizens in Government operations, can erode trust in SSA's ability to tackle the challenges it faces.**

PLANNING

While SSA has created annual performance and multi-year strategic plans, we are concerned with the quality of its longer-term vision needed to ensure it has the programs, processes, staff, and infrastructure required to provide needed services for the next 10 to 20 years and beyond. In FY 2015, SSA released its *Vision 2025,* which SSA stated is a critical first step in planning how it will serve the public in the future.

We question whether SSA's *Vision 2025* provides a clear path to the organization SSA will need to be in the future to meet its mission. For example, it does not include specific, measurable goals or outline the strategy needed to implement SSA's proposed vision. We believe SSA's long-term strategic vision should include specific, measurable goals that clearly outline the service delivery model SSA envisions in year 2025 and beyond. Also, while *Vision 2025* describes the Agency's future environmental drivers, it does not explain how those drivers will affect SSA's ability to provide services in the future. Additionally, SSA's plan did not choose one primary service delivery method as recommended by the National Academy of Public Administration, which SSA contracted for a long-range strategic review. Instead, *Vision 2025* promised a service delivery system that would meet each customer's desire even though budget constraints may make such an approach unrealistic.

SSA also worked with a contractor to develop an execution strategy and roadmap to cover the 10-year period addressed by *Vision 2025*. The roadmap includes a more specific description of a future SSA but does not discuss how SSA's budget uncertainty and other environmental factors could affect the envisioned roadmap. Also, the roadmap is not available publicly, so stakeholders cannot understand how SSA's vision will be implemented and how it may impact them in the future.

TRANSPARENCY

The Agency has a mixture of outcome and output performance measures on which it publicly reports. The outcomes it measures include customer satisfaction, the timeliness of service or claims processing, and the accuracy of its payments. Other performance measures appear to measure outcomes but actually measure outputs. In these cases, SSA included a desired outcome in the wording of the performance measures, but it does not actually measure those outcomes. For example, one of SSA's performance measures is to "Improve the disability determination process by increasing the percentage of initial disability claims using electronically transmitted health records and medical evidence (Health IT)." While an increased number of claims using Health IT may improve the disability determination process, it may not. A better performance measure would measure whether claims using Health IT had better outcomes, like more accurate or timely disability determinations when compared to claims processed without Health IT.

SSA also has a number of output performance measures, including completing the budgeted number of full medical CDRs, SSI non-medical redeterminations, disability claims, and hearings requests. While measuring these workloads may be helpful for budgeting purposes, the performance measures do not inform whether the completion of the workloads equate to positive outcomes. More useful performance measures would measure the outcomes of the workloads, like the dollars saved by identifying beneficiaries who were no longer disabled and ineligible for benefits through the completion of CDRs.

ACCOUNTABILITY

SSA'S ANTI-FRAUD PROGRAMS

SSA needs a strong anti-fraud infrastructure to combat attempts to defraud its programs. We continue to report on fraud schemes that cost taxpayers millions of dollars. For example, in August 2017, we reported that over 7,000 beneficiaries had nearly $11 million of their benefit payments misdirected by unauthorized changes to their direct deposit information in Calendar Years 2014 to 2016.

In FY 2014, we hired a contractor to complete a fraud risk assessment of SSA's anti-fraud activities and found that SSA did not track all instances of fraud or use a risk-based approach for combatting fraud. The contractor also concluded that the Agency could be more proactive in addressing and mitigating new fraud schemes and improving the design and operating effectiveness of anti-fraud measures.

Additionally, SSA has had to respond to new risk management requirements that became effective in FY 2017. Specifically, the Office of Management and Budget issued Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* It states that management has overall responsibility for establishing internal controls to manage fraud risk. This includes reporting to the Agency's governance structure the actions the Agency has taken to manage fraud risks and the status of the Agency's Risk Profile. The Agency's Risk Profile must include an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative controls to mitigate identified material fraud risks.

INDEPENDENT AUDITORS' REPORT

The FY 2017 *Independent Auditors' Report* contains three significant deficiencies in internal control. The three significant deficiencies are summarized below (refer to SSA's FY 2017 *Agency Financial Report* for the full text of the report).

Certain Financial Information System Controls. The auditor identified the following four systems control deficiencies that, when aggregated, are considered to be a significant deficiency in the area of IT Systems Controls.

- IT Oversight and Governance
- Access controls
- Network Security Controls
- Change and Configuration Management

Controls over the Reliability of Information Used in Certain Control Activities. The IT control deficiencies discussed above elevate the risk that data produced by SSA's IT systems, also known as information produced by the entity (IPE), may not be complete or accurate. When management uses IPE to perform its manual process level controls, it must have reasonable confidence the IPE is reliable for its intended purpose, and if necessary, add controls that compensate for information systems control deficiencies. The auditor found that management did not design and implement effective controls to ensure certain IPE used in performing manual process-level controls over benefits due and payable and accounts receivable was complete and accurate.

Accounts Receivable/Overpayments. The auditor identified four deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls related to accounts receivable/overpayments. Specifically, the auditor's testing disclosed the following deficiencies.

- Financial Accounting Process Related to Overpayments

- Documentation Supporting Accounts Receivable/Overpayment Claims and Calculations

- Compliance with SSA Policies and Procedures Impacting the Effectiveness of Internal Controls

- IT System Limitations Affecting Accuracy and Presentation of OASDI Accounts Receivable

AGENCY ACTIONS

PLANNING

SSA created an addendum to its *Agency Strategic Plan* for FYs 2014-2018 to show how the *Vision 2025* priorities aligned with the Plan's strategic objectives. The addendum also showed how the *Vision 2025* priorities aligned with SSA's major management priorities for FYs 2015 through 2016. Per the addendum, the major management priorities were the Agency's first step in focusing and prioritizing the resources to realize *Vision 2025* and served as the first phase of the implementation of *Vision 2025*. However, while the addendum was listed on SSA's public Website with its *Agency Strategic Plan* previously, as of the date of this report, it no longer was. SSA plans to release a new strategic plan for FYs 2018-2022, highlighting three main strategic goals—deliver services effectively, improve the way SSA does business, and ensure stewardship.

TRANSPARENCY

SSA has slightly increased the number of outcome performance measures and lessened the number of output measures in its FY 2017 *Annual Performance Report*. Also, it provided its strategy and performance teams with performance-measure development training. Additionally, it implemented a new process for developing performance measures, with the goal of identifying the best indicators where data are available to measure progress in achieving the desired outcome of strategic objectives. Per SSA, it will continue developing more outcome-based performance measures as it moves forward with developing its next *Agency Strategic Plan*.

ACCOUNTABILITY

SSA has taken a number of steps to increase its anti-fraud activities. In November 2014, it established the Office of Anti-Fraud Programs to monitor the Agency's anti-fraud initiatives. The Office of Anti-Fraud Programs is developing the Anti-Fraud Enterprise Solution (AFES) to identify high fraud risk areas that have the most significant impact to the Agency. SSA completed the initial acquisition of AFES in FY 2016. The acquisition included a commercial, off-the-shelf software package that was the core of AFES. SSA expects AFES to enable it to identify patterns of potential types of fraud, improve functionality for data-driven fraud triggers and real-time fraud risk analysis, and integrate technology into its anti-fraud business processes.

SSA released its FY 2016 *Anti-Fraud Strategic Plan* in September 2016 and recently released an updated FY 2017 Plan. Per SSA, it aligned the Plan with the leading practices identified in the Government Accountability Office's *A Framework for Managing Fraud Risks in Federal Programs,* as well as SSA's *Agency Strategic Plan*. The anti-fraud plan describes how the Agency will develop and implement a comprehensive, unified anti-fraud program.

SSA has also completed a Disability Fraud Risk Assessment in response to the Government Accountability Office's framework and Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Per SSA, it used a phased approach in its assessment, following the standard phases of general risk management listed below.

- **Plan risk management** – SSA modified the risk management approach to its specific business processes.

- **Identify risks** – SSA identified risks at the program level, annotating all risks identified. It defined a fraud risk as a vulnerability that bad actors might exploit to gain benefits fraudulently.

- **Assess risks** – SSA prioritized risks and assessed new and current risks for likelihood and impact.

- **Plan risk responses** – SSA developed new proposed actions for newly identified risks and residual proposed actions for risks where SSA had current mitigating strategies.

- **Monitor and control risks** – SSA will develop management information to evaluate, monitor, and control risks through adaptation to circumstances. It will regularly re-evaluate risks.

WHAT THE AGENCY NEEDS TO DO

SSA should make public the roadmap guiding implementation of its *Vision 2025*. Also, the Agency should develop performance measures that address its long-term outcomes, so SSA and the public can track implementation of the roadmap.

SSA needs to continue to develop the infrastructure needed to strengthen its anti-fraud efforts.

The Agency needs to address its three internal control significant deficiencies.

KEY RELATED AGENCY PERFORMANCE MEASURES

The key planning, transparency, and accountability related measures from SSA's revised FY 2017 *Annual Performance Plan* are listed below.

- Continue to serve as a model agency for employment of individuals with targeted disabilities.

- Enhance workforce knowledge, skills, and abilities to achieve organizational goals by increasing employee satisfaction with training and development.

- Expand use of data to support workforce planning, program evaluation, and decisionmaking.

- Assess office lease expirations and increase co-location of components to reduce SSA's physical footprint.

- Become one of the Top 5 Best Places to Work among large agencies in the Government.

KEY RELATED LINKS

Government Accountability Office, *A Framework for Managing Fraud Risks in Federal Programs*, July 2015

Office of Management and Budget Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, July 2016

SSA's *Agency Strategic Plan, Fiscal Years 2014-2018*

SSA's *Agency Strategic Plan, Fiscal Years 2014-2018, Update Addendum: Vision 2025 Alignment*

SSA's *Annual Performance Plan for FY 2017-FY 2018 (Annual Performance Plan for FY 2018, Revised Performance Plan for FY 2017)*

SSA's *Vision 2025*

National Academy of Public Administration Report – *Anticipating the Future: Developing a Vision and Strategic Plan for the Social Security Administration for 2025-2030*, July 2014

OIG Report – *Fraud Risk Performance Audit of the Social Security Administration's Disability Programs (Limited Distribution) (A-15-15-25002), April 2015*

OIG Report – *Congressional Response Report: The Social Security Administration's Vision 2025 Plan (A-02-16-50125), March 2016*

OIG Report – *The Social Security Administration's Financial Report for Fiscal Year 2017 (A-15-18-50273), November 2017*

OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit Table

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

Summary of Management Assurances Table

Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0
Compliance with Federal Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Federal Systems comply to financial management system requirements					
Non-Compliance	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Compliances	0	0	0	0	0	0
Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)						
	Agency			Auditor		
1. Federal Financial Management System Requirements	No lack of compliance noted			No lack of compliance noted		
2. Applicable Federal Accounting Standards	No lack of compliance noted			No lack of compliance noted		
3. USSGL at Transaction Level	No lack of compliance noted			No lack of compliance noted		

ENTITLEMENT REVIEWS AND OFFICE OF THE INSPECTOR GENERAL ANTI-FRAUD ACTIVITIES

We are committed to improving financial management by preventing fraudulent and improper payments (see the *Payment Integrity* report for more information). Section 206 (g) of the *Social Security Independence and Program Improvements Act*, Public Law (P.L.) 103-296, requires us to report annually on the extent to which we reviewed cases of entitlement to monthly Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) benefits; and the extent to which the cases we reviewed were those that involved a high likelihood or probability of fraud.

ENTITLEMENT REVIEWS

Entitlement reviews help ensure that continued monthly payments are correct, even though fraud is not an issue in the vast majority of cases. We select cases and undertake reviews, both prior to and after effectuation of payment, to ensure that development procedures and benefit awards are correct. We conduct the following major entitlement reviews:

DISABILITY QUALITY ASSURANCE REVIEWS

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal year (FY) 2013 through FY 2017.

Quality Assurance Reviews Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	98.1%	98.1%	97.7%	97.6%	97.4%
Number of cases reviewed	31,672	29,780	29,360	33,010	34,198
Number of cases returned to the DDS offices due to error or inadequate documentation	608	577	663	796	898

DI PRE-EFFECTUATION REVIEWS

We also perform pre-effectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of pre-effectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review (CDR) continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI pre-effectuation accuracy rates for FY 2013 through FY 2017.

DI Pre-Effectuation Reviews Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	97.1%	96.9%	96.4%	95.8%	95.8%
Number of cases reviewed	333,159	316,306	293,015	300,440	278,796
Number of cases returned to the DDS offices due to error or inadequate documentation	9,619	9,689	10,647	12,758	11,811

SSI PRE-EFFECTUATION REVIEWS

Following legislation enacted in February 2006, we began pre-effectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we also use a profiling system to select cases for review. The following table shows the SSI pre-effectuation accuracy rates for FY 2013 through FY 2017.

SSI Pre-Effectuation Reviews Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Percent of State DDS decisions to allow not returned to the DDS offices for correction	97.7%	97.6%	97.1%	96.9%	96.9%
Number of cases reviewed	109,645	105,628	104,808	112,875	106,777
Number of cases returned to the DDS offices due to error or inadequate documentation	2,530	2,562	2,988	3,508	3,288

CONTINUING DISABILITY REVIEWS

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2013 through FY 2017.

CDR Accuracy Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overall accuracy	97.2%	97.6%	96.7%	97.1%	96.7%
Continuance accuracy	98.0%	98.3%	97.3%	97.8%	97.6%
Cessation accuracy	95.1%	95.5%	95.0%	94.9%	93.5%

OASDI AND SSI QUALITY ASSURANCE REVIEWS

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2013 through FY 2016. Data for FY 2017 is not available at this time. We will report the FY 2017 data in our FY 2018 *Agency Financial Report*.

OASDI Accuracy Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayment accuracy	99.8%	99.5%	99.6%	99.8%	Data not yet available
Underpayment accuracy	99.9%	99.9%	99.9%	99.9%	Data not yet available

SSI Accuracy Table

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayment accuracy	92.4%	93.0%	93.9%	92.4%	Data not yet available
Underpayment accuracy	98.3%	98.5%	98.6%	98.8%	Data not yet available

SSI REDETERMINATIONS

SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2013 through FY 2017.

SSI Redeterminations Table
(In Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Number of redeterminations completed	2.634	2.628	2.267	2.530	2.590

THE OFFICE OF THE INSPECTOR GENERAL'S ANTI-FRAUD ACTIVITIES

In FY 2017, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.

Total Fraud Allegations by Category
FY 2017

- SSN Misuse 18,110
- DI 54,253
- Threats/Employee Safety 1,015
- Other 9,453
- OASI 35,643
- Employee Related 5,016
- SSI-Aged 1,695
- SSI-DI 28,402

Source of All Fraud Allegations
FY 2017

- SSA & DDS Employees 57,276
- Public Agencies 1,753
- Beneficiaries 5,166
- Anonymous 25,555
- Law Enforcement 3,398
- Other 13
- Private Citizens 60,426

Disposition of All Fraud Cases
FY 2017

Disposition	Count
Cases Opened	7,176
Cases Closed	7,089
Presented to US Attorney	5,673
Accepted by US Attorney	657
Declined by US Attorney	5,719
Judicial Actions	1,075
Pending	5,387

FRAUD REDUCTION AND DATA ANALYTICS ACT REPORT

FRAUD REDUCTION AND DATA ANALYTICS ACT

The *Fraud Reduction and Data Analytics Act of 2015* (FRDAA) requires us to include in our annual financial report our agency's progress in the financial and administrative controls and procedures to assess and mitigate fraud risks, as well as our development and use of data analytics to identify, prevent, and respond to fraud, including improper payments. The report must contain our progress in:

- Implementing financial and administrative controls, such as fraud risk principle 8 in the *Standards for Internal Control in the Federal Government*, and Office of Management and Budget (OMB) Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, which calls for agencies to adhere to the leading practices for managing fraud risk;

- Identifying risks and vulnerabilities to fraud; and

- Establishing strategies, procedures, and other steps to curb fraud.

OUR ANTI-FRAUD EFFORTS

As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs. We take seriously our responsibility to detect, deter, and mitigate fraud. We have zero tolerance for fraud, and we work tirelessly to protect the American public from fraud in our programs.

In March of 2014, after reviewing and reporting on our practices, and in response to reported fraud cases, we re-established our National Anti-Fraud Committee. This committee of senior-level executives, co-chaired by the Deputy Commissioner for Budget, Finance, and Management (formerly Budget, Finance, Quality, and Management) and our Inspector General, is a focal point for our anti-fraud efforts that support national and regional strategies to combat fraud, waste, and abuse.

In December 2014, to continue our commitment to protect our programs from fraud and to identify an entity within the agency to lead fraud risk management (FRM) activities, we established the Office of Anti-Fraud Programs to provide centralized oversight and accountability for initiatives to detect, deter, and mitigate fraud while focusing on:

- Centralizing anti-fraud data analytics;

- Monitoring and supporting our anti-fraud initiatives;

- Formulating new anti-fraud initiatives;

- Developing consistent anti-fraud policies and processes;

- Leading the agency's FRM activities;

- Aligning our anti-fraud efforts with industry standards; and

- Partnering with OIG, whose mission includes fraud investigation.

FRDAA REPORTING REQUIREMENTS

IMPLEMENTING FINANCIAL AND ADMINISTRATIVE CONTROLS

We use data analytics to enhance detection of potential fraud and have developed analytical tools to determine common characteristics and patterns to help uncover potential fraud and other suspicious behavior. Data analytics present an opportunity to maximize our resources and better organize efforts to explore and develop the future of fraud analyses and oversight. In addition to data analytics, we have financial and administrative controls in place to detect, deter, and mitigate fraud.

Examples of these controls include:

- Anti-Fraud Communications Campaign (AFCC): AFCC is a multi-year campaign to convey the agency's anti-fraud messaging and promote continued expansion of anti-fraud capabilities.

- Anti-Fraud Data Analytics: Anti-Fraud Data Analytics improve fraud prevention and detection, enabling us to identify and track suspicious or potentially fraudulent transactions and take appropriate preventive and corrective actions.

- Administrative Sanctions: Administrative sanctions are penalties for making false or misleading statements, or withholding material information in certain circumstances. Penalties are nonpayment of Title II benefits and ineligibility for Title XVI payments for specified periods.

- Anti-Fraud Training: Agency employees and DDS employees are required to complete annual anti-fraud training. The training provides information to protect programs from fraud originating internally and

externally, and enables employees to remain informed on the current and proper means to support the agency's efforts to detect and prevent fraud.

- Civil Monetary Penalties (CMP): Section 1129 of the *Social Security Act* authorizes imposition of a CMP against anyone who makes false statements or misrepresentations, or materially withholds information in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*. Additionally, OIG may impose CMPs against representative payees for wrongful conversion of payments for their own use, or failure to notify us of a material change in a beneficiary's living arrangements or work activity.

- Cooperative Disability Investigation (CDI) Units: CDI units are joint efforts among SSA, OIG, and various State agencies to pool effective resources to investigate potential fraud in Title II and Title XVI disability programs. According to OIG, CDI units contributed more than $1 billion to agency savings over the last 3 fiscal years.

- Fraud Prevention Units (FPU): FPUs are specialized fraud units comprised of examiners dedicated to determining and acting on probable fraud cases and compiling data from the cases to help the agency further develop analytical tools for identification of potential fraud.

- Fraud Prosecution Project: The goal of this project is to increase the number of prosecutions for crimes involving Social Security matters. To support this project, the Office of the General Counsel has provided attorneys to serve as Special Assistant United States Attorneys (fraud prosecutors) in many of the Federal districts where we have regional offices and at our headquarters in Baltimore, MD.

IDENTIFYING RISKS AND VULNERABILITIES TO FRAUD

Preventing and combatting fraud is core to our agency's values, and we have various tools in place and under development to help us succeed. In FY 2017, we procured software that will serve as the basis for the Anti-Fraud Enterprise Solution (AFES). AFES allows us to replace and expand our current anti-fraud systems and processes. AFES will integrate data from multiple sources and use industry-proven predictive analytics techniques to identify high-risk transactions that require further review.

AFES directly supports the agency goal to "Strengthen the Integrity of Our Programs" -- specifically to protect the public's data, provide secure online services, and increase payment accuracy. It also supports the agency's efforts to meet the requirements of FRDAA that reference and mandate the Government Accountability Office's (GAO) *Framework for Managing Fraud Risks in Federal Programs*. Over a five-year phased implementation, we plan to develop, integrate, test, and implement AFES throughout the agency's lines of business, beginning with eServices and the disability program in FY 2017.

In FY 2018, we plan to explore redesign of the e8551 allegation referral process as part of AFES. This redesign will provide a modernized process for agency and DDS employees to develop and refer allegations of potential fraud involving agency programs and operations to OIG.

In addition, in accordance with the requirements set forth in OMB Circular No. A-123, we established our initial risk profile. Implementation of an Enterprise Risk Management (ERM) framework will improve strategic and risk mitigation decision-making throughout the agency by allowing managers to have a better understanding of inherent risks. As we move forward with a more mature ERM model, our goal is to cultivate a more risk-aware culture throughout the agency and incorporate risk as a significant factor in decision-making. We began conducting fraud risk assessments of our programs in FY 2017, beginning with the disability program. As part of our enterprise fraud risk management strategy, on a recurring schedule, we will conduct fraud risk assessments on our other major lines of business as appropriate, for example, payroll, beneficiary payments, grants, large contracts and purchase and travel cards.

We established a plan to develop a fraud risk profile to satisfy the requirements of OMB Circular No. A-123. The steps in development of a risk profile unique to the agency are:

- Identify agency objectives and risk categories;

- Map and validate agency functions and processes to agency objectives;

- Develop a risk register;

- Engage managers and subject matter experts in evaluating inherent risk;

- Manage the identification of existing risk responses and the assessment of their effectiveness;

- Analyze risk data and assemble it into a draft risk profile; and

- Vet the draft profile, incorporate necessary revisions, and prepare the final risk profile.

ESTABLISHING STEPS TO CURB FRAUD

We are dedicated to protecting the integrity of our programs as stewards of taxpayers' money. We must be vigilant in our anti-fraud efforts as combatting fraud is an ongoing and evolving process. We are committed to establishing strategies and procedures and taking necessary steps to curb fraud and preserve the public's trust in our programs.

Our *Anti-Fraud Strategic Plan* emphasizes our commitment to developing a comprehensive, unified anti-fraud program, and identifies our goals, objectives, and strategies to mitigate fraud in our programs. This plan is consistent with GAO's framework that identifies leading practices for managing fraud risks and control activities to prevent, detect, and respond to fraud in Federal programs. In addition, this plan aligns with the critical goal in our *Agency Strategic Plan* (www.socialsecurity.gov/agency/asp/materials/pdfs/plan-2014-2018.pdf) to "Strengthen the Integrity of Our Programs."

Our Anti-Fraud Strategic Goals are:

Goal 1: *Build an Organizational Culture Conducive of Fraud Risk Management*;

Goal 2: *Strengthen Our Programs through Assessment and Monitoring*;

Goal 3: *Implement a Comprehensive Approach to Fraud Risk Management*; and

Goal 4: *Conduct Outreach and Ongoing Communication Activities on Our Anti-Fraud Efforts*.

As previously noted, we began conducting fraud risk assessments of our programs in FY 2017. In FY 2018, we will ensure our fraud risk assessments are consistent with leading practices, and we will develop a plan for regularly updating the assessments. We will identify and assess risks and prioritize them to address those risks with the highest potential impact first. We will continue to communicate our anti-fraud strategies to employees and other stakeholders, and link our anti-fraud efforts to other risk management activities.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The *Social Security Act* authorizes the Commissioner to impose a CMP for certain specific violations. Section 1129 of the *Social Security Act* authorizes a CMP against anyone who makes any false statements, misrepresentations, or omissions, who fails to report material information, and representative payees who commit conversions in connection with obtaining or retaining benefits or payments under Titles II, VIII, and XVI of the *Social Security Act*. Section 1140 of the *Social Security Act* authorizes CMPs to protect the public from advertisements, solicitations, and other communications (including Internet websites) that may convey the false impression that the communication is approved, endorsed, or authorized by the Social Security Administration. Section 1140 also prohibits the reproduction and sale of Social Security publications and forms without authorization and generally prohibits charging for services that the Social Security Administration provides to the public without charge. The Commissioner delegated authority to enforce both sections to the Inspector General.

The *Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* expanded the categories of penalties that require adjustment for inflation to include CMPs under the *Social Security Act* and requires agencies to: (1) use an interim final rulemaking to adjust the level of CMPs in 2016 with an initial "catch-up" adjustment; (2) continue to make annual adjustments in future years; and (3) report on these adjustments annually. As required, we are

providing information on our current CMPs; these amounts include the initial "catch-up" adjustments and the initial annual adjustment. We will continue to make annual adjustments in future years and report on these adjustments annually.

Civil Monetary Penalty Adjustments

Statutory Authority	Penalty	Year Enacted	Last Year of Adjustment (via statute or regulation)	Current Penalty Date of Adjustment	Current Penalty Level	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Section 206 (b), *Social Security Independence and Program Improvements Act of 1994*, P. L. 103-296, 108 Stat. 1509	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8)	1994	2017	01/15/2017	$0-8,084	SSA/OIG	Federal Register 81 (December 2016): 96161-96161. (www.federalregister.gov/documents/2016/12/29)
Section 813 (c), *Bipartisan Budget Act of 2015*, P. L. 114-74, 129 Stat. 603	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8)	2015	2017	01/15/2017	$0-7,623	SSA/OIG	Federal Register 81 (December 2016): 96161-96161. (www.federalregister.gov/documents/2016/12/29)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10)	1988	2017	01/15/2017	$0-50,276	SSA/OIG	Federal Register 81 (December 2016): 96161-96161. (www.federalregister.gov/documents/2016/12/29)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10)	1988	2017	01/15/2017	$0-10,055	SSA/OIG	Federal Register 81 (December 2016): 96161-96161. (www.federalregister.gov/documents/2016/12/29)

BIENNIAL REVIEW OF USER FEE CHARGES

SUMMARY OF FEES

In FY 2016 and FY 2017, we earned $314 million and $288 million in user fees, respectively. This revenue accounted for less than one percent of our total financing sources. We derive over 74 percent of user fee revenues from agreements with 20 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2017, we charged a fee of $11.68 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.87 for FY 2018. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our FY 2016 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2014. We are planning to perform another review of these fees during FY 2018.

REDUCE THE FOOTPRINT

In 2015, OMB issued Management Procedures Memorandum 2015-01, *Implementation of OMB Memorandum M-12-12 Section 3: Reduce the Footprint*, which called for agencies to dispose of surplus properties, as well as make more efficient use of real property assets. This guidance requires agencies to reduce the total square footage of domestic office and warehouse inventory relative to a newly established 2015 baseline.

In accordance with new Reduce the Footprint guidelines, we developed and implemented a *Real Property Efficiency Plan* to guide the agency in our efforts to comply with OMB's requirements. This plan only measures our reduction goals based on designated office and warehouse facilities, excluding many of our public-facing facilities from our reporting requirements. The agency monitors the continuing implementation and submits to OMB the annual plan, describing the overall approach in managing our real property footprint. The following information reflects the overall change in the agency's real property footprint from the FY 2015 baseline for Reduce the Footprint, as well as strategies we are pursuing to comply with the mandate.

The agency does not own or directly lease any buildings in its inventory. Per Federal Management Regulation, Subchapter C, the General Services Administration (GSA) acts as the landlord for the Federal civilian Government, and is charged with promulgating regulations governing the acquisition, use, and disposal of real property. We work closely with GSA to manage our portfolio given changing workloads and the best business case for the agency.

Square Footage Table

	FY 2015 Baseline	FY 2016	Change from FY 2015 Baseline	FY 2017	Change from FY 2015 Baseline
Useable square footage	11,701,596	11,526,841	-174,755 or -1.5%	Not Available[1]	Not Available[1]

Note:

1. The agency works with GSA to reconcile Reduce the Footprint useable square footage and it will not be available until the second quarter of FY 2018. We will report the FY 2017 data in our FY 2018 *Agency Financial Report*.

Operation and Maintenance Cost – Owned and Direct Lease Buildings Table

	FY 2015 Reported Cost	FY 2017	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable

We are pursuing the following strategies to comply with OMB's Reduce the Footprint policy:

- Analyzing rent trend projections, while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;

- Optimizing space use by identifying and improving the overall use rate in new projects;

- Reviewing field and hearing office Federal building occupancies to determine if the current space meets our agency's business and mission needs based on current space standards and staffing levels;

- Pursuing field and hearing office collocation opportunities when it makes business sense and does not adversely affect customer service; and

- Continuing to phase in telework, which may present opportunities for future office space reductions.

GRANTS OVERSIGHT AND NEW EFFICIENCY ACT REPORTING

The *Grants Oversight and New Efficiency Act* requires agencies to report on Federal grant and cooperative agreement awards that have not yet been closed out and for which the period of performance, including any extensions, elapsed for more than two years. As noted in the following table, we have no such grants or cooperative agreements to report.

The agency has six grant programs monitored by Grants Management Officers (GMO). Each GMO is responsible for monitoring their workload to ensure timely grant closeouts. Although we currently do not have any expired grants that have exceeded the two-year timeframe for closeout, there are occasions when a GMO cannot immediately close a grant. In certain instances, closeout could be delayed by one year.

Grants and Cooperative Agreements Summary Table

Category	2-3 Years	>3-5 Years	>5 Years
Number of Grants/Cooperative Agreements with Zero Dollar Balances	Not Applicable	Not Applicable	Not Applicable
Number of Grants/Cooperative Agreements with Undisbursed Balances	Not Applicable	Not Applicable	Not Applicable
Total Amount of Undisbursed Balances	Not Applicable	Not Applicable	Not Applicable

DEBT COLLECTION AND MANAGEMENT

DEBT COLLECTION

We have a robust debt collection program to recover all types of overpayments. We use internal debt collection techniques (i.e., payment withholding and billing/follow-up), as well as external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

In FY 2017, we recovered approximately $3.89 billion using both our internal and external collection tools. Over the last 5 years (FY 2013 through FY 2017), we have collected a total of $17.32 billion. The following tables provide a description of each of our internal and external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

INTERNAL COLLECTIONS

We utilize internal collection tools to recover payments of delinquent debt for individuals **in current pay**. In FY 2017, we recovered $3.699 billion using our internal collection tools, which accounted for about 95 percent of our total collections amount. Over the last 5 years (FY 2013 through FY 2017), we have collected a total of $16.32 billion using our internal collection tools. The following table provides a description of each of our internal debt collection techniques for OASDI and SSI overpayments, and a summary of the results.
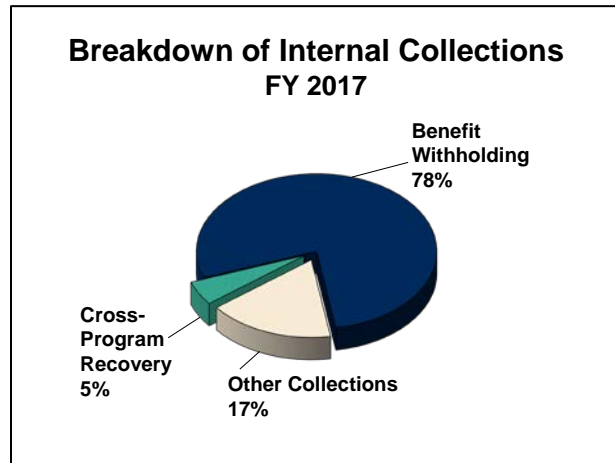
Internal Collections During Fiscal Year 2017
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	TOTAL
Benefit Withholding	We withhold some or all benefit payments for Title II beneficiaries and Title XVI recipients in current pay. Benefit withholding typically accounts for the largest recovery of our total collections amount.	$2.068	$0.830	$2.898
Cross-Program Recovery (CPR)	CPR collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments.	$0.025	$0.158	$0.183
Other Collections	These are mostly voluntary payments received because of a notice requesting a refund of an overpayment.	$0.361	$0.258	$0.618
Total Internal Collections	The total amount recovered by utilizing our internal collection tools.	$2.454	$1.246	$3.699

Notes:

1. Totals do not necessarily equal the sum of rounded components.

The following chart highlights the allocation of overpayments collected through our various internal collection tools as a proportion of the total FY 2017 $3.699 billion internal collections amount.

Breakdown of Internal Collections
FY 2017

Benefit Withholding 78%

Cross-Program Recovery 5%

Other Collections 17%

EXTERNAL COLLECTIONS

We utilize external collection tools to recover payments of delinquent debt for beneficiaries and recipients **no longer in current pay**. In FY 2017, we recovered $188.10 million using our external collection tools, which accounted for about 5 percent of our total collections amount. Over the last 5 years (FY 2013 through FY 2017), we have collected a total of $1 billion using our external collection tools. The following table provides a description of each of our external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

External Collections During Fiscal Year 2017
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	TOTAL
Treasury Offset Program (TOP)	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal salary offset.	$0.098	$0.070	$0.168
Administrative Wage Garnishment (AWG)	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable pay (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions).	$0.016	$0.004	$0.020
Total External Collections	The total amount recovered by utilizing our external collection tools.	$0.114	$0.074	$0.188

Notes:

1. Totals do not necessarily equal the sum of rounded components.

2. For information on administrative overpayment collections, please refer to the Recapture of Improper Payments Reporting section of the *Payment Integrity* report.

3. We also use credit bureau reporting, non-entitled debtors, and automatic netting SSI as external collection tools. Collections derived from these recovery methods are subsets of the main recovery methods displayed in the table above. However, we still track these collections for informational and decision-making purposes.

The following chart highlights the allocation of overpayments collected through our various external collection tools as a proportion of the total FY 2017 $188.10 million external collections amount.

Breakdown of External Collections
FY 2017

Treasury Offset Program 89%

Administrative Wage Garnishment 11%
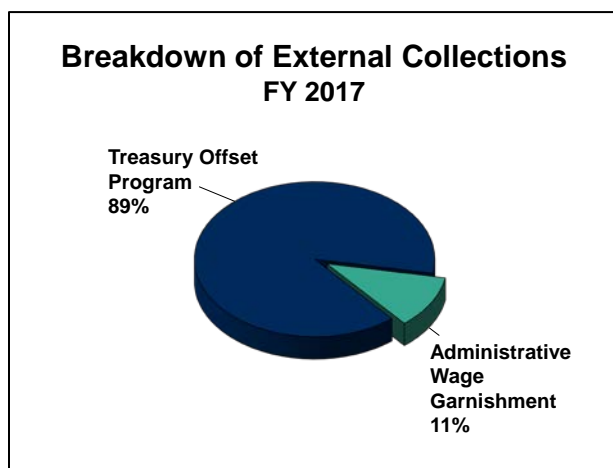
DEBT MANAGEMENT

The following two tables provide information on our debt management activities. We calculated the data shown in the tables by using accounts receivable amounts taken directly from the financial statements. We provide definitions of certain line items immediately following the Debt Management Activities Program and Administrative table. For more information on our agency's effort to curb overpayments, please refer to the *Payment Integrity* report immediately following this section.

We identified a system limitation in the processing of certain overpayments. In July 2011, GAO issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments.*" In that audit, GAO identified an OASDI system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond the year 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 44,000 debts are affected by payment plans extending beyond the year 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $540 million. This amount is not material to the consolidated financial statements.

The following tables do not include the amounts related to post year 2049 debt. Therefore, the Total New Receivables and Total Write-offs are understated. We are working to address the system limitation; however, the accounts receivable balance reported on the financial statements are presented fairly in all material respects.

FY 2017 Quarterly Debt Management Activities
Program and Administrative Table
(Dollars in Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$21,182	$21,510	$21,844	$22,644
New receivables	1,520	3,299	5,065	7,602
Total collections	(963)	(1,866)	(2,731)	(3,888)
Adjustments	(245)	(600)	(934)	(1,297)
Total write-offs	(144)	(337)	(570)	(787)
- Waivers	(68)	(156)	(249)	(339)
- Terminations	(76)	(181)	(321)	(448)
Aging schedule of debts:				
- Non delinquent debt	12,436	12,880	13,050	13,628
- Delinquent debt				
- 180 days or less	1,940	1,696	1,712	1,791
- 181 days to 10 years	5,961	6,066	6,177	6,288
- Over 10 years	845	868	905	937
- Total delinquent debt	$8,746	$8,630	$8,794	$9,016

Debt Management Activities
Program and Administrative Table
(Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Total receivables	$17,046	$18,252	$19,361	$21,014	$22,644
New receivables	5,616	5,976	5,865	6,420	7,602
Total collections	(3,817)	(3,686)	(3,692)	(3,604)	(3,888)
Adjustments	(391)	(309)	(446)	(536)	(1,297)
Total write-offs	(950)	(775)	(618)	(627)	(787)
- Waivers	(421)	(373)	(342)	(275)	(339)
- Terminations	(529)	(402)	(276)	(352)	(448)
Non delinquent debt	11,268	11,895	12,210	12,984	13,628
Total delinquent debt	$5,778	$6,357	$7,151	$8,030	$9,016
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	66.1%	65.2%	63.1%	61.8%	60.2%
- Delinquent	33.9%	34.8%	36.9%	38.2%	39.8%
% of debt estimated to be uncollectible*	26.3%	25.5%	24.2%	42.7%	42.6%
% of debt collected	22.4%	20.2%	19.1%	17.2%	17.2%
% change in collections from prior fiscal year	4.2%	-3.4%	0.2%	-2.4%	7.9%
% change in delinquencies from prior fiscal year	15.6%	10.0%	12.5%	12.3%	12.3%
Clearances as a % of total receivables	28.0%	24.4%	22.3%	20.1%	20.6%
- Collections as a % of clearances	80.1%	82.6%	85.7%	85.2%	83.2%
- Write-offs as a % of clearances	19.9%	17.4%	14.3%	14.8%	16.8%
Other Analysis					
Cost to collect $1	$0.07	$0.07	$0.07	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	15	15	16	17	15
- DI	66	55	62	55	44
- SSI	38	39	43	42	43

Note:

   *The percentage is derived from Allowance for Doubtful Accounts found in footnote 6 of the financial statements.

Definitions:

1. Adjustments – Program debt adjustments represent: (a) written-off debts, by way of terminations, that we reinstate for collections; (b) changes in debts when we update debtor accounts with new information; and (c) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.

2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person: (a) is without fault in causing the debt; and (b) recovery would either defeat the purpose of the act or be against

equity and good conscience. Waivers permanently remove debts from our accounts receivable balance, which precludes any further collection efforts.

3. Terminations – Terminations represent our decision to cease our own efforts to collect a debt because: (a) the debtor will not repay the debt or alleges they cannot pay the debt; (b) we cannot locate the debtor after diligent search; or (c) the debt is at least two years delinquent. Even though we terminate internal active collection, we may still use external collection efforts such as the TOP and AWG. If the debtor becomes entitled to OASDI benefits or eligible for SSI payments, we reinstate the debt and resume recovery through benefit/payment withholding.

4. Delinquent Debt – A debt is delinquent when no voluntary payment has been made 30 days after the latest of the following: (a) the date we establish an OASDI debt; (b) the date of the initial overpayment notice for a SSI debt; (c) the date of the last voluntary payment; (d) the date of an installment or periodic payment arrangement (if we do not receive a payment); and (e) the date we decide a debtor remains responsible for a debt, in response to a due process action by the debtor.

PAYMENT INTEGRITY

BACKGROUND

Our Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) program integrity workloads are critical to ensuring efficient programs and accurate payments. We take our responsibility to reduce improper payments very seriously. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. "Strengthen the Integrity of Our Programs" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years* (FY) *2014–2018* (www.socialsecurity.gov/agency/asp/). Each year, we report improper payment findings, both overpayments and underpayments, from our stewardship reviews of the non-medical aspects of the OASI, DI, and SSI programs. Regarding the medical aspects of our disability programs, we conduct continuing disability reviews (CDR) to determine whether disability beneficiaries continue to meet the programs' medical criteria. However, terminating disability benefits after a CDR does not necessarily mean that the original determination was incorrect; it may mean the beneficiary's medical condition has improved to the point he or she can work. Therefore, the benefits he or she received before improvement are considered proper 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), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), 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.

As outlined in OMB's IPERIA guidance, any program with $750 million in improper payments qualifies as a high-priority program, and agencies must report improper payments in those programs. Two of our programs meet OMB's definition of high-priority programs: the OASDI program and the SSI program. More information about the improper payments in our high-priority programs for FY 2017 and previous years can be found on OMB's improper payment website (www.paymentaccuracy.gov).

The information presented in this report complies with the guidance provided in IPIA, OMB Circular No. A-123, Appendix C, *Requirements for Effective Estimation and Remediation of Improper Payments*, and OMB Circular No. A-136, *Financial Reporting Requirements*. This report provides general information that demonstrates our commitment to reducing improper payments. The report also describes our efforts in reducing, recovering, and preventing improper payments for our OASDI and SSI benefit programs and our administrative payments.

We also fulfill the requirements of Executive Order 13520, *Reducing Improper Payments,* by providing additional information about our efforts to curb improper payments in our OASDI and SSI programs on our public improper payments website (www.socialsecurity.gov/improperpayments).

PAYMENT REPORTING

IMPROPER PAYMENTS STRATEGY

For FY 2017, we continued to align our improper payments strategy with our improper payments governance. We are collaborating with our Federal partners, stakeholders, and beneficiaries to attain our agency Strategic Goal to "Strengthen the Integrity of Our Programs." Proper management of payments is an essential element of our goal.

Under this Strategic Goal, we will:

- Collaborate with our Federal partners across the Improper Payment and Data Exchange Communities of Practice to find innovative ways to prevent and reduce improper payments through potential legislative proposals, data exchange agreements, or other collaboration;

- Increase efforts to recover overpayments by modernizing our debt collection systems;

- Enhance predictive models and automation tools to help identify error-prone aspects of benefit eligibility;

- Expand the use of data analytics to reduce fraud and payment errors; and

- Streamline the Representative Payee Program to better identify potential misuse of benefits.

We do not intend for our key improper payment initiatives to be a static list. We periodically reassess our focus as it relates to reducing improper payments. One of our ongoing priorities is to enhance quality and payment accuracy for the public.

This fiscal year, based upon our stewardship reviews and other efforts, we identified the leading causes of improper payments and major quality issues and selected workloads where we can collectively make meaningful progress by the end of FY 2018, based on the FY 2018 President's Budget. Building on our current efforts and processes, we will focus on two key areas: (1) combating the leading cause of improper payments; and (2) improving quality and program integrity.

The following are our key priority strategic initiatives to achieve our Strategic Goal:

- Explore the cost-effectiveness of increasing Access to Financial Institutions (AFI) information;

- Enhance the wage reporting process;

- Identify non-home real property;

- Make better use of data exchanges, including entering into a new data exchange agreement to obtain arrival and departure information from the Department of Homeland Security (DHS), Customs and Border Protection;

- Implement a corrective plan for applying the Government Pension Offset (GPO) (a definition of GPO is available at: www.socialsecurity.gov/pubs/10007.html) and Windfall Elimination Provisions (WEP) (a definition of WEP is available at: www.socialsecurity.gov/pubs/EN-05-10045.pdf);

- Identify potential entitlements;

- Increase post-entitlement accuracy;

- Enhance debt collection policy and practices;

- Improve the representative payee capability determination process; and

- Improve medical cessation processing.

We discuss these initiatives and their relation to reducing improper payments in our OASDI and SSI programs in the Improper Payment Root Cause Categories and the Improper Payment Corrective Actions sections of this report.

We also discuss initiatives that affect improper payments in both programs in the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section of this *Payment Integrity* report.

In our *Annual Performance Plan for FYs 2017–2018*, one of our strategic objectives to achieve our Strategic Goal is to Increase Payment Accuracy. To reach this strategic objective, we identified the following four performance measures:

- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments;

- Improve the integrity of the SSI program by ensuring that 94 percent of our payments are free of overpayment;

- Complete the budgeted number of full medical CDRs; and

- Complete the budgeted number of SSI non-medical redeterminations.

We provide more information about our performance measures in our *Annual Performance Plan for FYs 2017–2018* (www.socialsecurity.gov/agency/performance/2018/2018APP.pdf).

EXPERIENCE IN THE OASI, DI, OASDI, AND SSI PROGRAMS

OMB requires agencies that have programs or activities that are susceptible to significant improper payments to list the programs and related improper payment rates in one table. Table 1 shows the improper payment rates for OASI, DI, OASDI, and SSI programs for FY 2016. In Table 1, we also include our improper payment rates for funds we spent to support Hurricane Sandy recovery activity, since they are also considered susceptible to significant improper payments by the *Disaster Relief Appropriations Act of 2013* (DRAA). We calculate the overpayment rate by dividing overpayment dollars by total dollars paid, and the underpayment rate by dividing underpayment dollars by total dollars paid. We calculate the improper payment rate by adding overpayment and underpayment dollars and dividing the sum total dollars paid.

Please see Table 1.1 for more details about our improper payment rates for the OASI and DI programs for FYs 2014, 2015, and 2016. For our SSI program, please see Table 1.2 for more details about our improper payment rates for the SSI program for FYs 2014, 2015, and 2016.

Table 1: Improper Payments Experience
FY 2016
(Dollars in Millions)

	OASI	DI	OASDI	SSI	DRAA	Total
FY 2016 Outlays	$770,538.77	$140,661.52	$911,200.29	$56,754.07	$0.00	$967,954.36
FY 2016 Proper Payment $	$768,699.60	$139,922.30	$908,621.90	$51,734.13	$0.00	$960,356.03
FY 2016 Proper Payment %	99.76%	99.47%	99.72%	91.15%	100.00%	99.22%
FY 2016 Improper Payment $	$1,839.17	$739.22	$2,578.39	$5,019.94	$0.00	$7,598.33
FY 2016 Improper Payment %	0.24%	0.53%	0.28%	8.85%	0.00%	0.78%
FY 2016 Overpayment $	$1,210.73	$697.60	$1,908.33	$4,323.93	$0.00	$6,232.26
FY 2016 Overpayment %	0.16%	0.50%	0.21%	7.62%	0.00%	0.64%
FY 2016 Underpayment $	$628.44	$41.62	$670.06	$696.01	$0.00	$1,366.07
FY 2016 Underpayment %	0.08%	0.03%	0.07%	1.23%	0.00%	0.14%

Notes:

1. Total OASDI and SSI outlays for FY 2016 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.

2. OASDI outlays are estimates based on limited sample sizes.

3. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive percentages from unrounded source data.

4. We had no DRAA payments in FY 2016. In addition, there is no additional funding or obligations for DRAA.

OASDI EXPERIENCE

Over the last 5 years (FYs 2012–2016), our stewardship reviews estimate that we paid approximately $3.5 trillion to OASI beneficiaries. Of that total, we estimate $7.3 billion were overpayments, representing approximately 0.21 percent of outlays. We estimate that underpayments during this same period were $2.5 billion, the equivalent of approximately 0.07 percent of outlays.

Applying the same analysis to the DI program, we estimate that we paid $682.7 billion to DI beneficiaries over the last 5 years (FYs 2012–2016). Of that total, we estimate $5.8 billion were overpayments, representing approximately 0.85 percent of outlays. We estimate underpayments during this same period totaled $1.1 billion, the equivalent of approximately 0.16 percent of outlays.

Table 1.1 shows the estimated improper payment rates for the OASI and DI programs for FYs 2014, 2015, and 2016.
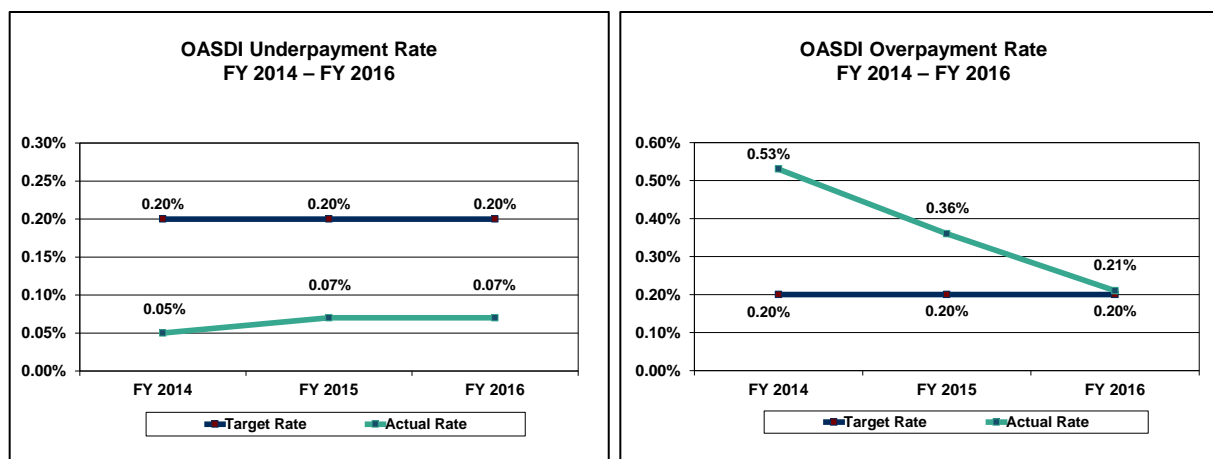
Table 1.1: OASDI Improper Payments Experience
FY 2014 – FY 2016
(Dollars in Millions)

	FY 2014		FY 2015		FY 2016	
	Dollars	**Rate**	**Dollars**	**Rate**	**Dollars**	**Rate**
OASI						
Total Benefit Payments	$720,351.38		$712,644.02		$770,538.77	
Underpayment Error	$291.26	0.04%	$371.62	0.05%	$628.44	0.08%
Overpayment Error	$2,962.06	0.41%	$1,575.47	0.22%	$1,210.73	0.16%
DI						
Total Benefit Payments	$142,368.41		$141,045.42		$140,661.52	
Underpayment Error	$181.19	0.13%	$200.14	0.14%	$41.62	0.03%
Overpayment Error	$1,603.68	1.13%	$1,524.93	1.08%	$697.60	0.50%
Combined OASDI						
Total Benefit Payments	$862,719.79		$853,689.44		$911,200.29	
Underpayment Error	$472.45	0.05%	$571.76	0.07%	$670.06	0.07%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	$4,565.74	0.53%	$3,100.40	0.36%	$1,908.33	0.21%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FYs 2014–2016 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.

2. Total benefit payments for OASDI are estimates based on limited sample sizes, which may cause them to vary from year to year.

3. FY 2017 data will not be available until summer 2018.

4. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.

5. OASI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, +0.03 percent and –0.05 percent for underpayments and ±0.40 percent for overpayments; for FY 2015, +0.03 percent and –0.04 percent for underpayments and +0.14 and –0.15 percent for overpayments; and for FY 2016, +0.07 percent and –0.10 percent for underpayments and +0.13 percent and –0.12 percent for overpayments.

6. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, +0.12 percent and –0.23 percent for underpayments and +0.12 percent and –1.76 percent for overpayments; for FY 2015, +0.13 percent and –0.25 percent for underpayments and +1.07 percent and –1.18 percent for overpayments; and for FY 2016, +0.02 percent and –0.06 percent for underpayments and +0.49 percent and –0.53 percent for overpayments.

7. Changes in the OASDI error rates from FY 2014 to FY 2015 and from FY 2015 to FY 2016 are not statistically significant.

The following graphs show our estimated OASDI underpayment and overpayment rates for the last three years. Substantial Gainful Activity (SGA) (a definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html) and WEP and GPO errors continue to impact the overall error rates as the leading causes of error.

**OASDI Underpayment Rate
FY 2014 – FY 2016**

**OASDI Overpayment Rate
FY 2014 – FY 2016**

SSI EXPERIENCE

Over the last 5 years (FYs 2012–2016), our stewardship reviews estimate that we paid approximately $278.6 billion to SSI recipients. Of that total, we estimate $19.3 billion were overpayments, representing about 7 percent of outlays. We estimate that underpayments during this same period were $4.2 billion, the equivalent of approximately 1.5 percent of outlays.

Table 1.2 shows the estimated improper payment rates for the SSI program for FYs 2014, 2015, and 2016.

Table 1.2: SSI Improper Payments Experience
FY 2014 – FY 2016
(Dollars in Millions)

	FY 2014	FY 2015	FY 2016
Total Federally Administered Payments			
Dollars	$56,457.56	$56,625.58	$56,754.07
Underpayments			
Dollars	$840.26	$770.20	$696.01
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.48%	1.36%	1.23%
Overpayments			
Dollars	$3,924.48	$3,431.29	$4,323.93
Target Rate	≤5.00%	≤5.00%	≤5.00%
Actual Rate	6.95%	6.06%	7.62%

Notes:

1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.

2. FY 2017 data will not be available until summer 2018.

3. The percentages and dollar amounts presented in Table 1.2 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.

4. SSI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2014, ±0.27 percent for underpayments and ±0.95 percent for overpayments; for FY 2015, ±0.51 percent for underpayments and ±0.64 percent for overpayments; and for FY 2016, ±0.31 percent for underpayments and ±1.08 percent for overpayments.

5. Please note that year-to-year differences from FY 2014 to FY 2015 are not statistically significant. Changes in the SSI overpayment error rates from FY 2015 to FY 2016 are statistically significant.

The graphs below show our estimated SSI underpayment and overpayment rates for the last three years.
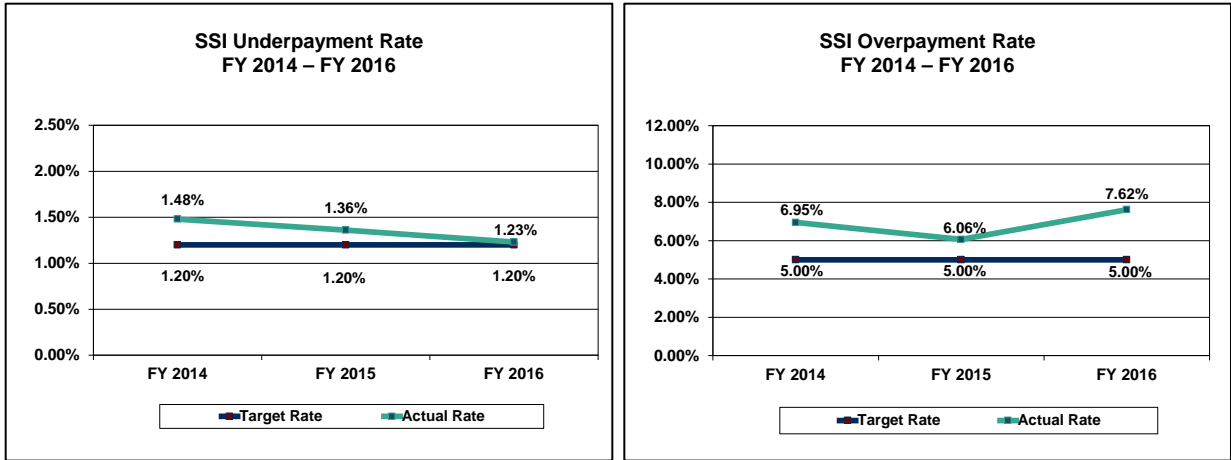
IMPROPER PAYMENT ROOT CAUSE CATEGORIES

Table 2 lists the major causes of improper payments (overpayments and underpayments) in the OASDI and SSI programs using OMB's seven categories of error. For consistency with Table 1, we also included DRAA payments.

Table 2: Improper Payment Root Cause Category Matrix for FY 2016
(Dollars in Millions)

Reason for Improper Payment	OASDI Program		SSI Program		DRAA	
	Overpayments	Underpayments	Overpayments	Underpayments	Overpayments	Underpayments
Program Design or Structural Issue	$0	$0	$0	$0	$0	$0
Inability to Authenticate Eligibility	$26.89	$0	$3,931.10	$596.93	$0	$0
Failure to Verify:						
Death Data	$101.67	$0	$42.01	$0	$0	$0
Financial Data	$0	$0	$197.22	$9.89	$0	$0
Excluded Party Data	$0	$0	$0	$0	$0	$0
Prisoner Data	$0	$0	$0	$0	$0	$0
Other Eligibility Data	$568.28	$36.01	$47.62	$12.01	$0	$0
Administrative or Process Error Made by:						
Federal Agency	$1,211.49	$634.05	$105.98	$77.18	$0	$0
State or Local Agency	$0	$0	$0	$0	$0	$0
Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)	$0	$0	$0	$0	$0	$0
Medical Necessity	$0	$0	$0	$0	$0	$0
Insufficient Documentation to Determine	$0	$0	$0	$0	$0	$0
Other Reason (explain)	$0	$0	$0	$0	$0	$0
TOTAL	$1,908.33	$670.06	$4,323.93	$696.01	$0	$0

Notes:

1. Data Source: FY 2016 OASDI and SSI stewardship reviews.

2. There may be slight variances in the dollar amounts reported due to rounding of source data.

3. Because the amount of death overpayment is small, the estimated amount of error found in our samples varies from year to year. Over the five-year period, FY 2012–FY 2016, it averaged approximately $29 million per year.

4. Because the amount of prisoner overpayment is small, the estimated amount of error found in our samples varies from year-to-year.

5. Beginning in 2015, OMB required us to categorize improper payments in our programs into seven categories as defined below:

   - **Program Design or Structural Issue** – Improper payments resulting from the design of the program or a structural issue.

   - **Inability to Authenticate Eligibility** – Improper payments issued because the agency is unable to authenticate eligibility criteria. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Substantial Gainful Activity (Table 2.2). For our SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; Financial Accounts (Table 2.7), Wages (Table 2.9), and Other Real Property (Table 2.13).

   - **Failure to Verify Data** – Improper payments issued because the agency or another party administering Federal dollars fails to verify appropriate data to determine whether or not a recipient should be receiving a payment, even though such data exists in government or third-party databases.

     o **Death Data** – Failure to verify that an individual is deceased and the agency pays that individual. For more information, see the Additional Comments section.

     o **Financial Data** – Failure to verify that an individual's or household's financial resources (e.g., current income or assets) do not meet the threshold to qualify him or her for a benefit, and the agency makes a benefit payment to that individual or household. For our corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; Financial Accounts (Table 2.7) and Other Real Property (Table 2.13).

     o **Excluded Party Data** – Failure to verify that an individual or entity has been excluded from receiving Federal payments and the agency pays that individual or entity.

     o **Prisoner Data** – Failure to verify that an individual is incarcerated and ineligible for receiving a payment and the agency pays that individual. For our corrective actions related to this improper payment category, refer to the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section; Prisoner Information.

     o **Other Eligibility Data** – Any other failure to verify data not already listed above, causing the agency to make an improper payment as a result. For OASDI, the leading root causes are SGA and GPO. For SSI, the leading root causes are Living Arrangement and In-kind Support and Maintenance. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Substantial Gainful Activity (Table 2.2). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (Table 2.11).

   - **Administrative or Process Errors Made** – Improper payments caused by incorrect data entry, classifying, or processing of applications or payments made by Federal, State, local agencies, or other organizations that administer Federal dollars. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Increase Post-Entitlement Accuracy (Table 2.4) and Potential Entitlements (Table 2.5). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (Table 2.11).

   - **Medical Necessity Errors** – Improper payments issued to a medical provider who delivers a service or item that does not meet coverage requirements for medical necessity.

   - **Insufficient Documentation to Determine** – Improper payments issued when there is a lack of supporting documentation necessary to verify accuracy of a payment identified in the improper payment testing sample.

   - **Other Reason** – Improper payments caused by payment errors that do not fit in the above categories.

IMPROPER PAYMENT CORRECTIVE ACTIONS

### MAJOR CAUSES AND CORRECTIVE ACTIONS FOR OASDI IMPROPER PAYMENTS

Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are SGA and errors in computations. The major cause of underpayments is errors in computations.

SUBSTANTIAL GAINFUL ACTIVITY

Description:

When disability beneficiaries work, several factors determine whether they can continue to receive monthly benefits. Improper payments occur when beneficiaries fail to report earnings timely, or we do not take the proper actions to process work reports. The following graph shows the five-year rolling average of SGA overpayment deficiency dollars. Please note that year-to-year differences are not statistically significant.

Historical Figures:
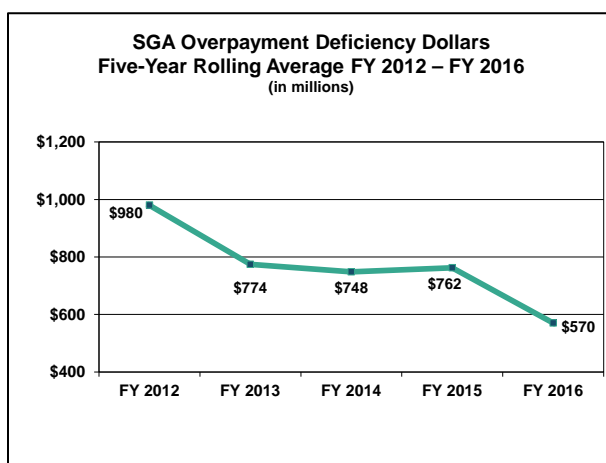
Table 2.1: SGA Overpayment Deficiency Dollars
FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$980	$774	$748	$762	$570

Corrective Actions:

Table 2.2 shows our actions to ensure timely processing of beneficiaries' earnings. Payment errors based on SGA correspond to the "Inability to Authenticate Eligibility" and the "Failure to Verify: Other Eligibility Data" categories in Table 2.

Table 2.2: SGA – Corrective Actions

Description	Target Completion	Status
Audit Recommendation		
To minimize improper payments, we agreed with an audit recommendation to prioritize identifying cases where we failed to terminate the disability payments following medical cessation determinations.	September 2017	We continue to work with all stakeholders to develop appropriate corrective actions and enhance automated solutions on these cases. Since November 2015, we have initiated all 8,807 cases released for corrective action. We continue discussions with appropriate stakeholders to enhance our automated solutions to prevent such errors in the future.
Predictive Model		
We have developed Work Smart. The Work Smart process identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. The process builds on the current Continuing Disability Review Enforcement Operation (CDREO) by integrating quarterly work CDR alerts based on quarterly earnings from the Office of Childhood Support Enforcement (OCSE) into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process.	Ongoing	In 2016, over 80 percent of the completed work CDRs, selected by Work Smart with a high probability of an overpayment, ended in a cessation of benefits.

In 2017, Work Smart will select over 15,000 cases requiring a work CDR using quarterly earnings (OCSE data). These cases will be worked roughly one year in advance from when annual earnings data would be available. The remaining cases selected for a work CDR will come from annual earnings.

In FY 2017, we removed approximately 809,854 unproductive CDR alerts from the current CDREO process using the national screening program.

When we implement Section 824 of the *Bipartisan Budget Act of 2015* in 2018, we will be introducing monthly earnings into Work Smart as another form of earnings data that will allow us to identify beneficiaries working above SGA. |
| **Legislation and Legislative Proposals** | | |
| Section 826 of the *Bipartisan Budget Act of 2015* requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically. | Completed September 2017 | In September 2017, we implemented a new online wage reporting application where Social Security DI beneficiaries and their representative payees can report wages online through their *my* Social Security account. |

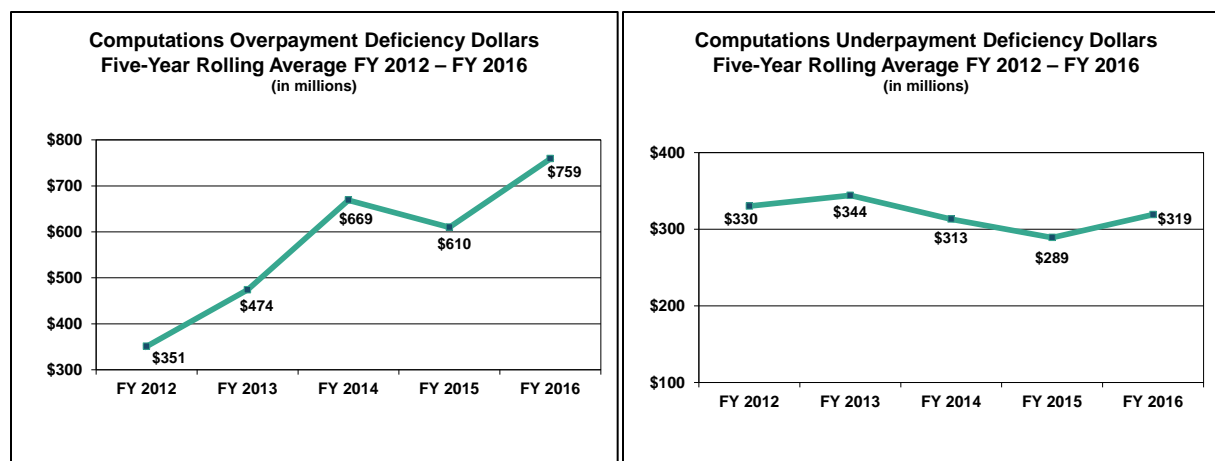| Description	Target Completion	Status
Section 824 of the *Bipartisan Budget Act of 2015* authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the DI and SSI programs to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for any omission or error in the wages provided by the payroll data provider.	April 2018	To implement the *Bipartisan Budget Act of 2015* authority, we obtained executive approval on the business process document and began systems planning and analysis in November 2016. We convened a cross-agency project team to collaborate on implementing Section 824 of the *Bipartisan Budget Act of 2015* and other wage-related provisions. We have met major milestones, such as finalizing the Federal Register Notice (FRN) and the Notice of Proposed Rulemaking (NPRM), which we will publish at a later date. We are developing training materials for our employees and began collecting the wage and employment information authorization from SSI and DI applicants and beneficiaries in late September 2017. Implementation of the supporting data exchange is contingent on successful contract negotiations. We are prioritizing resources to implement DI processing and other future enhancements in FYs 2018–2019.

COMPUTATIONS

Description:

Errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

We determine a person's benefit amount based on several factors, including age, earnings history, and the type of benefit awarded.

Inaccurate information or administrative mistakes can cause errors in calculating benefits. For FYs 2012–2016, approximately 70 percent of the computation errors resulted in overpayments, with the leading causes being WEP, failure to apply the Retirement Insurance Benefit Limitation (RIB-LIM) when applicable, and adjustment of the reduction factor (ARF) computation. RIB-LIM applies when a deceased beneficiary received a reduced retirement benefit. Under RIB-LIM, the maximum benefit for a surviving spouse or surviving divorced spouse is limited to the larger of 82.5 percent of the deceased beneficiary's death Primary Insurance Amount or the benefit amount that the deceased beneficiary would receive if he or she were still alive. WEP accounted for 66 percent of computation errors for the 5-year period, while RIB-LIM and ARF, respectively, accounted for 10 percent and 6 percent of these errors. In addition to our WEP/GPO Corrective Action Plan that is now underway, we will further identify the root causes of RIB-LIM and ARF errors and likely issue policy reminders to our staff.

Historical Figures:

Please note that year-to-year differences are not statistically significant.

Computations Overpayment Deficiency Dollars
Five-Year Rolling Average FY 2012 – FY 2016
(in millions)

Computations Underpayment Deficiency Dollars
Five-Year Rolling Average FY 2012 – FY 2016
(in millions)

Table 2.3: Computations Deficiency Dollars
FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$351	$474	$669	$610	$759
Underpayments	$330	$344	$313	$289	$319

Corrective Actions - Increase Post-Entitlement Accuracy

Recent studies indicate that we can improve accuracy in the areas of processing OASDI work CDRs and other changes to a beneficiary's record after they are already entitled to benefits. To address this issue, we developed Work Smart. The Work Smart process identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. The process builds on the current CDREO by integrating quarterly work CDR alerts based on quarterly earnings from OCSE into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process so technicians can evaluate cases where a beneficiary is working over SGA.

By addressing post-entitlement accuracy and identifying potential entitlements, we will reduce improper overpayments and underpayments.

Table 2.4 shows our actions to increase our post-entitlement accuracy. Post-entitlement accuracy errors correspond to the "Administrative or Process Error Made by: Federal Agency" category in Table 2.

Table 2.4: Increase Post-Entitlement Accuracy – Corrective Actions

Description	Target Completion	Status
Provide better descriptive definitions of the OASDI systems alert, exception, and processing limitation codes to give technicians more precise information on actions needed.	FY 2018	We completed planning and analysis in September 2016. We began updating problematic OASDI system alert, exception, and processing limitation codes with better descriptive definitions in FY 2017. The ongoing enhancements should improve technicians' post-entitlement processing accuracy.
Review the most problematic overpayment cases being worked in our Office of Disability Operations. Our objective is to determine the root causes of overpayment errors and provide recommendations to address improved processing.	FY 2018	This project is ongoing. We began a national payment center overpayment study in April 2016. In FY 2016, we focused on overpayments due to disability cessation or extended period of eligibility. We have completed the FY 2016 case reviews. The report is in the final stages of clearance.

Our studies also show that we sometimes overlook potential entitlements (i.e., entitlement to benefits other than the one an individual is applying for or receiving). In FY 2013, we established a dedicated workgroup and process for evaluating and addressing potential entitlement workloads. To date, we have:

- Initiated four outreach efforts dealing with vulnerable populations such as widows, veterans, the aged, and disabled children.

- Implemented systems changes for three projects dealing with widows, children, and the aged.

- Developed a community outreach plan to promote OASDI surviving parent's benefits.

- Completed analysis on projects involving potential entitlement situations for minor children, Medicare only beneficiaries, military service retirees, and disabled children.

- Selected projects to be addressed in FY 2018.

Table 2.5 shows our further actions to pursue potential entitlement workloads. Some corrective actions in the table will be implemented over more than one fiscal year. We plan to reduce underpayments by completing workloads targeting vulnerable populations. We will identify cases and develop a strategy to prevent recurrences. Payment errors related to potential entitlements correspond to the "Administrative or Process Error Made by: Federal Agency" category in Table 2.

Table 2.5: Potential Entitlements – Corrective Actions

Description	Target Completion	Status
Pursue potential entitlement workloads.	Completed FY 2017	• In FY 2017, key potential entitlement efforts included: o Paying veterans who were not given full credit for their military service (i.e., analyzing and preparing military service cases to credit appropriate wages). We paid over $7 million in underpayments to over 1,252 veterans. o Paying SSI recipients currently on our rolls who are eligible for childhood disability beneficiary (CDB) benefits. We identified and conducted analysis on a population of 13,934 recipients who are eligible for CDB benefits. The cases were prepared for case processing. o Paying spouses and children due underpayments because we resumed benefits to the number holder, but did not resume benefits to the auxiliaries following a termination. We identified 6,365 beneficiaries who required updated payment information. The payment information was updated, and the files were prepared for resumption of benefits. o Identifying SSI recipients entitled to child benefits on the record of a parent. We prepared a file of 27,565 claimants for review and case processing. o Identifying 1,249 CDBs incorrectly charged a 5-month waiting period. We prepared a file for case processing. o Developing a systems alert to identify Medicare only beneficiaries when they attain 30–40 quarters of coverage. We implemented the system alert in September 2017.

Description	Target Completion	Status
Pursue potential entitlement workloads (continued).	FY 2018	• In FY 2018, key potential entitlement efforts will include: ○ Processing 1,249 cases involving CDB beneficiaries incorrectly charged a 5-month waiting period. We expect to complete these cases in December 2017. ○ Processing cases involving 13,934 SSI recipients currently on our rolls who are eligible for CDB benefits. We expect to complete these cases by June 2018. ○ Resuming benefits to 6,365 spouses and children due underpayments because we resumed benefits to the number holder, but did not resume benefits to the auxiliaries following a termination. We expect to complete these cases by October 2018. ○ Processing 27,565 cases involving SSI recipients entitled to child benefits on the record of a parent. We expect to complete these cases by October 2018. ○ Preparing to conduct outreach to secure applications from beneficiaries who are currently receiving widow's benefits on the record of their most recent spouse but are due a higher benefit on the record of a previous deceased spouse. ○ Paying veterans denied based on insured status because proper credit was not given for deemed wages. ○ Paying beneficiaries due underpayments because we withheld benefits pending SSI offset. ○ Identifying individuals incorrectly denied retirement benefits due to lack of insured status. ○ Identifying Federal employees eligible for benefits and/or Medicare entitlement.

MAJOR CAUSES AND CORRECTIVE ACTIONS FOR SSI IMPROPER PAYMENTS

Our greatest payment accuracy challenges occur within the SSI program. The program's complexities stem from the way legislation requires us to determine SSI eligibility and to calculate SSI payments. We generally make SSI payments on the first day of the month for eligibility in that month. Many factors influence SSI payment accuracy. Even if the payment is correct when paid, any changes that may occur during the month can affect the payment due, which can result in an overpayment or underpayment. Thus, the program requirements themselves sometimes cause improper payments. We remain committed to simplifying the SSI program, and we are exploring ways to do this in a fair and equitable manner.

SSI is a means-tested program for individuals with limited income and resources who are blind, disabled, or aged. This program is complex because fluctuations in monthly income, resources, and living arrangements may affect

eligibility and monthly payment amounts. Improper payments often occur if recipients (or their representative payees on their behalf) fail to timely report changes in any of these factors (e.g., an increase of their resources or a change in their wages). Failure to report such changes is the primary cause of both overpayment and underpayment errors.

Our stewardship findings over the last five years show that the major causes of overpayments in the SSI program have been errors or omissions in the following:

- Financial accounts (e.g., bank savings or checking accounts, or credit union accounts);

- Wages;

- In-kind Support and Maintenance (ISM); and

- Other real property (i.e., ownership of non-home real property).

Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Later in this section, we provide information on our corrective actions for living arrangements under the corrective action for wages.

FINANCIAL ACCOUNTS

Description:

Financial accounts with countable resources in excess of the allowable resource limits are the leading cause of SSI overpayment errors. When an applicant, recipient, or deemor has financial accounts with values exceeding the allowable resource limits, these accounts may result in periods of SSI ineligibility.
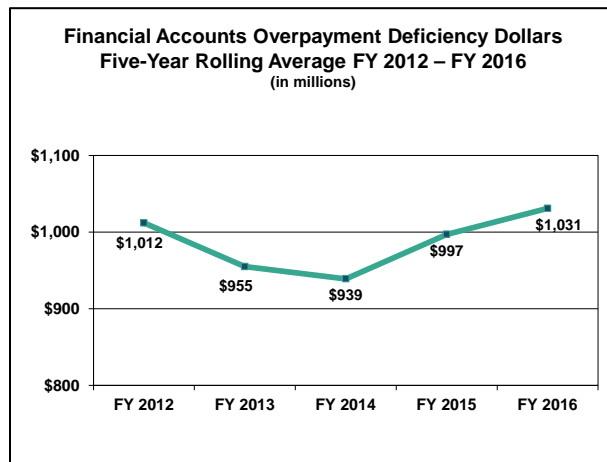
Historical Figures:

**Financial Accounts Overpayment Deficiency Dollars
Five-Year Rolling Average FY 2012 – FY 2016
(in millions)**

$1,012 $955 $939 $997 $1,031

| | FY 2012 | FY 2013 | FY 2014 | FY 2015 | FY 2016 |

Table 2.6: Financial Accounts Overpayment Deficiency Dollars
FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$1,012	$955	$939	$997	$1,031

Corrective Actions:

A claimant, recipient, or deemor must give us permission to request his or her financial records from any financial institution (i.e., financial permission) as an eligibility requirement for SSI. We developed the AFI program to

address overpayment errors related to financial accounts. AFI is an automated process that verifies alleged bank account balances with financial institutions to identify potential excess resources in financial accounts held by SSI applicants, recipients, and deemors. In addition to verifying alleged bank accounts, AFI detects undisclosed accounts using unique search criteria. We use AFI to verify financial accounts during the SSI application process, as well as when we conduct periodic redeterminations of continued eligibility.

We reduce SSI improper payments resulting from excess resources held in financial institutions by using the AFI electronic process on initial claims and redeterminations (i.e., a review of a recipient's non-medical eligibility factors such as income and resources to determine continued eligibility and payment amount) and conducting up to 10 searches per individual for undisclosed bank accounts.

In an effort to streamline and continue the use of the AFI waiver process, we plan to implement four AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.

Table 2.7 shows our actions to reduce errors related to financial accounts. Payment errors related to financial accounts correspond to the "Failure to Verify: Financial Data" and "Inability to Authenticate Eligibility" categories in Table 2.
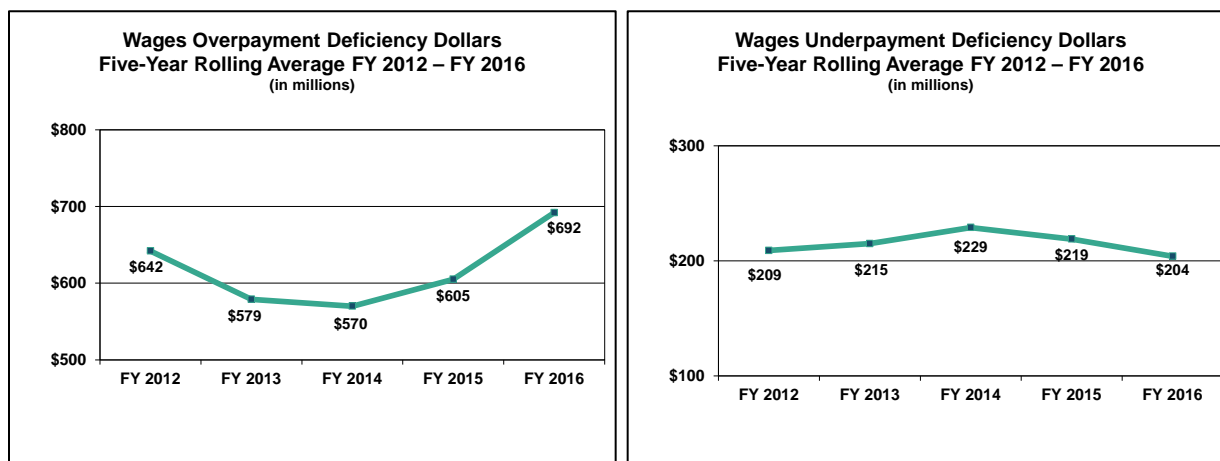
Table 2.7: Financial Accounts – Corrective Actions

Description	Target Completion	Status
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance that we implemented in October 2013.	Completed FY 2016	We completed evaluations in the first quarter of FY 2016. Based on these findings, we are recommending that it would not be the most efficient use of our limited program integrity resources to conduct additional AFI searches or to make any additional changes to the process at this time.
Conduct study to evaluate benefits of automatically initiating AFI requests during the period between redeterminations of SSI eligibility. This proposal would enable us to prevent improper payments earlier and limit the amount of any overpayments.	Completed December 2015	Our study found that it would not be the most efficient use of program integrity resources to use AFI between SSI redeterminations.
Implement two AFI systems enhancements that will improve our current process for initiating AFI.	Completed January 2016	In October 2015, we added functionality to allow an address, other than the current residence address, for geographic searches in AFI to search the prior address when a person moves. In January 2016, we added functionality to search for financial institutions by the routing transit number when initiating AFI requests.
Implement four AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.	FY 2020 through FY 2022	Planning and analysis is to begin in FY 2018. We will implement the following key AFI waiver enhancements in the new debt management system: • Create an automatic trigger of AFI requests; scheduled for development in FY 2020. • Enhance ability to view attachments from financial institutions; scheduled for development and release in FY 2021. • Automate splitting of co-owned bank account balances; scheduled for development and release in FY 2021. • Create functionality to recall/cancel/delete AFI requests; scheduled for development and release in FY 2022.

WAGES

Description:

For more than a decade, wage discrepancies have been one of the leading causes of SSI overpayment and underpayment errors. Wage discrepancies occur when the recipient or his or her deemor has actual wages that differ from the wage amount used to calculate the SSI payment.

Historical Figures:

| | Wages Overpayment Deficiency Dollars Five-Year Rolling Average FY 2012 – FY 2016 (in millions) | Wages Underpayment Deficiency Dollars Five-Year Rolling Average FY 2012 – FY 2016 (in millions) |

Overpayment chart: FY 2012 $642, FY 2013 $579, FY 2014 $570, FY 2015 $605, FY 2016 $692

Underpayment chart: FY 2012 $209, FY 2013 $215, FY 2014 $229, FY 2015 $219, FY 2016 $204

Table 2.8: Wages Deficiency Dollars
FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$642	$579	$570	$605	$692
Underpayments	$209	$215	$229	$219	$204

Corrective Actions:

We rely on individuals to self-report wages to us on time. However, we know that they may fail to report or not report wages in time to prevent an improper payment. Section 824 of the *Bipartisan Budget Act of 2015* gives the agency authority to conduct information exchanges with payroll providers to obtain accurate, up-to-date, and relevant wage information to determine SSI eligibility and to prevent improper payments. We will request that applicants, recipients, deemors, and ineligible children provide their consent for us to obtain wage information from payroll data providers as part of the SSI application and redetermination processes.

We developed several communication initiatives to help encourage recipients not only to remember to report events that can affect eligibility or payment amounts, such as changes in living arrangements, but also to make it easier for them to comply with reporting requirements. For example, we created two educational resources that field offices give recipients during claims and redeterminations:

- A two-pocket folder – The folder includes panels that list the SSI reporting requirements and pockets to store key documents such as wage stubs or other materials to help people report accurately.

- A business card – This small card contains information on the reporting requirements to be kept in a wallet or with other important papers.

Other examples of our corrective actions to address the root causes of wage-related errors include options for recipients (or representative payees on their behalf) or their deemors to self-report wages via telephone or a smartphone application. Since October 2013, recipients, representative payees, and deemors can use those automated reporting tools to report the preceding month's wages at any time in the current month.

- Supplemental Security Income Telephone Wage Reporting (SSITWR)

  In FY 2008, we implemented SSITWR, which allows recipients, representative payees, and deemors to report the prior month's gross wages via an automated telephone system. SSITWR ensures we post the wage amounts to the individual's record timely from the date we received the reported wages.

- Supplemental Security Income Mobile Wage Reporting Smartphone Application

  Beginning in December 2012, 50 field offices across all 10 regions began a pilot for mobile wage reporting. This initiative allowed certain SSI recipients, representative payees, and deemors to use their smartphones to report the prior month's gross wages, using an application they can download at no cost from the Google Play and Apple App stores. The initial pilot was successful, and we expanded it to nearly 270 participating field offices in March 2013. The expanded phase of the pilot was successful as well, with more than 9,000 wage reports submitted using the smartphone application during the entire pilot. We rolled out the initiative nationally on August 1, 2013, following the release of some minor system improvements made as the result of feedback received during the pilot.

- Automated Reminder

  In September 2013, we implemented an automated SSI wage reporting reminder. Individuals can voluntarily sign up to receive a monthly email or text message reminder to report wages for the prior month.

We continue to increase the number of successful wage reports SSI recipients submit using our automated SSI wage reporting systems. In FY 2017, we processed 1,088,666 successful automated wage reports, which is an increase of 4.00 percent over the number in FY 2016.

Table 2.9 shows our actions to reduce errors related to wages. Payment errors related to wages correspond to the "Inability to Authenticate Eligibility" category in Table 2.

Table 2.9: Wages – Corrective Actions

Description	Target Completion	Status
Request that SSI applicants and recipients provide their consent for us to obtain information from other sources.	Completed October 2015	We now capture the SSI recipient's authorization for us to contact commercial entities, including payroll providers, for evidence related to SSI eligibility and payment amount. In addition, we added new print options to allow the claims representative to provide a printed copy of the authorization information to the person who provided the authorization or to any third parties that require proof of authorization prior to releasing personal information to us.
Perform a proof of concept (POC) to test whether automated posting of income information available through commercial wage databases offered by private payroll providers would allow us to reduce wage-related improper payments and save administrative resources.	Completed July 2015	We gathered data through the POC. The findings revealed that there is value in monthly matching with a payroll provider as wage information is available for the majority of the sample.
Section 826 of the *Bipartisan Budget Act of 2015* requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	Completed September 2017	In September 2017, we implemented a new online wage report application where Social Security DI beneficiaries and their representative payees can report wages online through their *my* Social Security account.
Section 824 of the *Bipartisan Budget Act of 2015* authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the DI and SSI programs to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for any omission or error in the wages provided by the payroll data provider.	April 2018	To implement the *Bipartisan Budget Act of 2015* authority, we obtained executive approval on the business process document and began systems planning and analysis in November 2016. We convened a cross-agency project team to collaborate on implementing Section 824 of the *Bipartisan Budget Act of 2015* and other wage-related provisions. We have met major milestones, such as finalizing the FRN and the NPRM, which we will publish at a later date. We are developing training materials for our employees and began collecting the wage and employment information authorization from SSI and DI applicants and beneficiaries in late September 2017. Implementation of the supporting data exchange is contingent on successful contract negotiations. We are prioritizing resources to implement DI processing and other future enhancements in FYs 2018–2019.

IN-KIND SUPPORT AND MAINTENANCE

Description:

ISM refers to the SSI policy for reducing benefit amounts for recipients who receive support in the form of food or shelter from family, friends, or other third party sources. Determining whether an individual receives ISM requires that claimants and recipients report changes in their living arrangement in a timely manner and answer detailed

questions about whom they live with, what their household expenses are, how they divide those expenses among household members, and what help they receive from outside of the household.

Every time we process an application for SSI benefits, develop a redetermination of eligibility for SSI benefits, or receive a change of address report, and the recipient alleges a living arrangement change that is not documented in our claims system, we need to develop and possibly recalculate for ISM.

For non-initial claim situations, our development may be retroactive up to a period of two years depending on the redetermination review period. We must develop for the possibility of ISM from the first change in living arrangement reported by the recipient to the present living arrangement. In addition, if a recipient reports a change in living arrangement and we discover that a prior living arrangement change was not reported, we must develop and possibly recalculate for ISM from the first change in living arrangement reported by the recipient to the present living arrangement. These situations, along with the lack of reports of livings arrangements by claimants and recipients, may create overpayments and underpayments.

We ask questions to help us determine if claimants or recipients are paying their share of the household expenses. If they are not paying their fair share, we count the difference between the fair share amount and the actual contribution as income to the claimant in the form of ISM.

We must develop for ISM under the law. The basis for charging ISM is found in Section 1612(a)(2)(A) of the Social Security Act (www.socialsecurity.gov/OP_Home/ssact/title16b/1612.htm). The law requires us to reduce an individual's benefit amount by one-third when he or she is living in another person's household and receiving support and maintenance, which for our purposes is food and shelter.

Historical Figures:
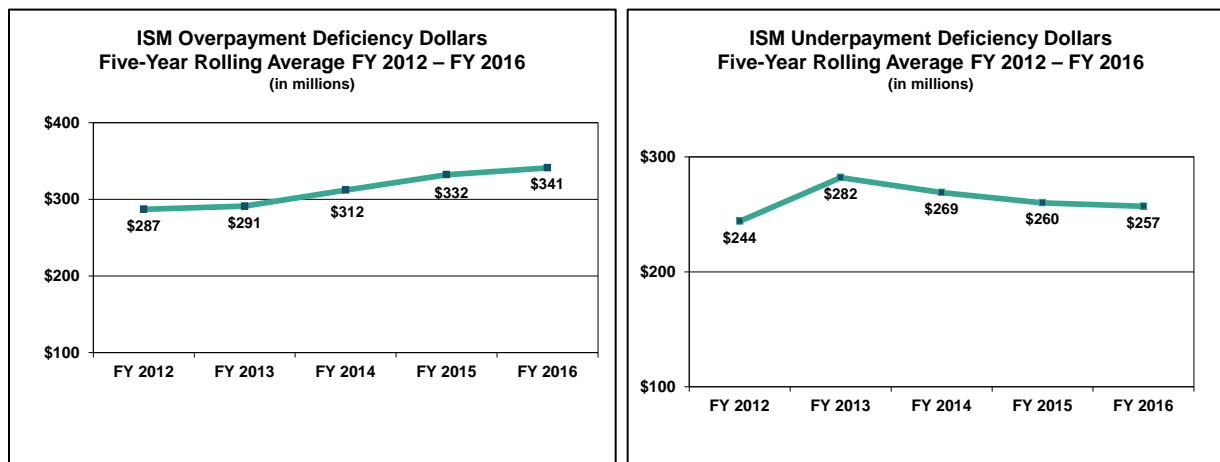
Table 2.10: ISM Deficiency Dollars
FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$287	$291	$312	$332	$341
Underpayments	$244	$282	$269	$260	$257

Corrective Actions:

Table 2.11 shows our actions to reduce errors stemming from ISM. Payment errors stemming from ISM correspond to the "Failure to Verify: Other Eligibility Data" and the "Administrative or Process Error Made By: Federal Agency" categories in Table 2.
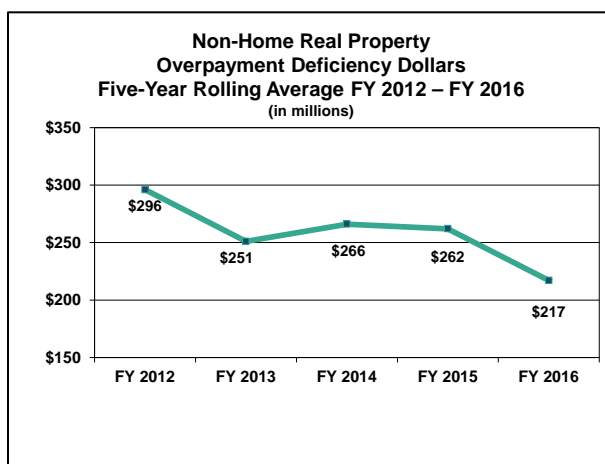
Table 2.11: ISM – Corrective Actions

Description	Target Completion	Status
Statutory, Regulatory, Policy and Procedure Review		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	Because of our reviews, we issue periodic reminders and policy clarifications, as needed. We will continue to work with Congress and other stakeholders to identify possible statutory/regulatory changes.

OTHER REAL PROPERTY

Description:

SSI ineligibility may result if a recipient owns real property (generally land and the building, such as a house, on the land) other than his or her principal place of residence (referred to as "non-home real property"), and the current equity value exceeds the resource limit. Undisclosed non-home real property is a leading cause of improper overpayments in the SSI program. For the five-year period from FY 2012–2016, our FY 2016 stewardship reviews identified real property as the fourth leading cause of SSI overpayments, with average projected improper payments of $217 million in SSI overpayments. We currently rely on the applicant or recipient to report ownership of non-home real property. Our corrective actions, discussed on the following page, will require our technicians to identify undisclosed property owned by the applicant, recipient, or deemor via an electronic process.

Historical Figures:

Non-Home Real Property Overpayment Deficiency Dollars Five-Year Rolling Average FY 2012 – FY 2016 (in millions)

Table 2.12: Non-Home Real Property Overpayment Deficiency Dollars FY 2012 – FY 2016
(Dollars in Millions)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayments	$296	$251	$266	$262	$217

Corrective Actions:

Real property ownership information is available publicly for all 50 States through commercial data providers (e.g., *LexisNexis/Accurint*). To test the value of using a commercial provider to identify undisclosed real property, we studied the use of *LexisNexis/Accurint* in SSI claims and redeterminations. This study indicated that the use of this data could reduce SSI overpayments associated with the ownership of undisclosed property by SSI claimants and recipients. In November 2015, we began pursuing nationwide expansion of non-home real property integration

with the SSI Claims System. The process will integrate third-party, non-home real property ownership data directly into the SSI Claims System path as a lead for further development. We implemented nationwide at the end of FY 2017.

Table 2.13 shows our actions to reduce errors related to non-home real property. Payment errors related to non-home real property correspond to the "Failure to Verify: Financial Data" and "Inability to Authenticate Eligibility" categories in Table 2.

Table 2.13: Other Real Property – Corrective Actions

Description	Target Completion	Status
Fully integrate third-party, non-home real property data with SSI systems for mandatory use during initial claims and high-error redetermination interviews and optional use during other open claim events.	Completed FY 2017	In FY 2017, we completed nationwide implementation.
The FY 2018 President's Budget includes a proposal that would reduce improper payments by authorizing us to conduct data matches with private commercial databases that maintain data on ownership of real property (i.e., land and buildings), which can be a countable resource for SSI purposes. The proposal would authorize us to use that information to automatically determine an individual's eligibility for benefits, after proper notification. In addition, we could require a beneficiary's consent to allow us to access these databases as a condition of benefit receipt. All current due process and appeal rights would be preserved.	Pending	No congressional action to date.

OTHER MAJOR CAUSES AND CORRECTIVE ACTIONS IN THE OASDI AND SSI PROGRAMS

The following key initiatives enhance our program integrity efforts.

WINDFALL ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET

Description:

WEP and GPO are benefit reductions/offsets that apply to Social Security benefits of those individuals who worked in non-covered employment (i.e., did not pay Social Security taxes on their earnings) and who receive a pension based on those non-covered earnings. The majority of these non-covered workers are in Federal, State, or local government service.

While in total WEP and GPO lead to a large dollar value of improper payments, there is no single dominating cause of improper payments or errors leading to them. The root causes for the problems result from the lack of:

- Accurate data to administer the WEP and GPO provisions;

- Automation to minimize human error and ensure timely action in response to existing alerts;

- Understanding among agency technicians of how non-covered pensions work (e.g., whether the payments are recurring or issued in a lump sum or whether there may be a cost-of-living adjustment, which is key to correctly administering the WEP and GPO provisions); and

- Understanding among agency technicians of how to administer the WEP and GPO provisions, in terms of computations and any exceptions.

We propose a multi-pronged approach to address each of the underlying causes of improper payments:

- Pursuit of new data;

- Enhanced automation;

- Clarified policy instructions; and/or

- Enhanced training specific to the more common WEP/GPO errors.

We are fully committed to improve our administration of these workloads. In 2017, we worked with the Internal Revenue Service (IRS) to explore possibilities for the IRS to receive and share data on non-covered pensions, which we will continue in FY 2018. We also began our automated enhancement efforts, which will continue into FY 2018. This year, we also clarified our policy instructions and produced training for our Operations employees.

We formed a cross-agency work group to:

1. Review all Office of the Inspector General (OIG) and internal studies over the past five years to compile a comprehensive list of identified changes in WEP/GPO implementation;

2. Assess the root causes of improper payments based on these changes; and

3. Develop policy, data, systems, or training solutions in line with each of the root causes of improper payments.

Table 2.14: Windfall Elimination Provision and Government Pension Offset Corrective Actions

Description	Target Completion	Status
Policy Clarification	Completed FY 2017	We updated and modified policy and process documentation to focus on those areas of WEP/GPO administration that have been most error prone, such as beneficiaries who are dually-entitled. We made the last policy clarification in May 2017.
Targeted Training	Completed FY 2017	We developed and conducted a series of videos on demand on WEP and GPO that specifically target the error prone areas. We aired the last video series broadcast to a nationwide audience in April 2017.
Pursuit of New Data	FY 2018	We have been in ongoing discussions with the IRS to obtain non-covered pension information. IRS believes it cannot request the pension information we want from the States without Treasury sponsored legislation. We are requesting that IRS review its previous opinion regarding legal authority to provide data to the agency.
Enhanced Automation	FY 2018	We are pursuing a series of systems changes that will automate calculations for non-covered pensions. Our goal is to reduce human error, prompt additional questions of likely non-covered pension recipients to encourage accurate self-reporting, and automate notices to claimants to obtain updated pension information more timely. We proposed 10 automation enhancements and successfully implemented 3 in FY 2017, with the remaining 7 targeted for FY 2018.

DATA EXCHANGES

We developed a strategic initiative focused on making better use of data exchanges to further use data from outside sources to improve program administration and prevent improper payments.

Description:

Our objective is to continue current computer matching agreements (CMA) that yield a positive cost benefit analysis, expand effective CMAs to meet additional program needs, research current programs, work with internal stakeholders to identify data exchange needs, and pursue new data exchanges with potential partners.

Currently, we conduct 23 CMAs with various Federal partners to obtain benefit payment data, wage data, unemployment data, fugitive felon identification, savings securities, workers' compensation, residency information, and nursing facility admission data that we use to determine eligibility and offset benefits for our programs. The total annual savings attributed to these CMAs is over $7 billion, with an annual cost of approximately $189 million yielding a positive cost benefit ratio of 37 to 1.

Table 2.15 shows our efforts to pursue additional data exchanges to improve our OASDI and SSI improper payment identification and prevention efforts.

Table 2.15: Data Exchanges – Corrective Actions

Description	Target Completion	Status
Establish a data exchange agreement with DHS to obtain information necessary to identify when SSI recipients and OASDI beneficiaries are out of the country. SSI recipients are ineligible for any entire calendar month during which they are not present in the United States. OASDI beneficiaries are not due benefits if they are out of the country for more than six consecutive months.	FY 2018	We conducted a pilot study that focused on the use of the data for the SSI program. We compared travel data in the DHS Arrival and Departure Information System (ADIS) to travel data on SSI records for a random sample of SSI non-citizens who traveled outside of the United States for 30 consecutive days or more. Results of the pilot study showed positive program savings from utilizing the ADIS data. We estimate $45.4 to $46.3 million in potential detectable or preventable SSI overpayments if we had access to the data. Since we already have legal authority to share this data with DHS and because of the projected savings, we are drafting a CMA with DHS to obtain citizen and non-citizen travel data. We expect to complete the CMA in FY 2018. However, to fully operationalize the process, we also need to establish and implement business processes and automation to support the data exchange.

PRISONER INFORMATION

To diminish improper payments in the prisoner suspension area, we completed two of our three initiatives to help curb improper payments paid to prisoners. First, because of our efforts in FY 2016 to reemphasize the prisoner program suspension and reinstatement requirements to our technicians, we suspended monthly benefits to 44,661 OASDI and 76,148 SSI beneficiaries, an increase of 10 percent over our prior fiscal year prisoner suspension totals. This increase in prisoner suspensions saved our programs approximately $4.8 million in improper payments. Second, our monitoring process to track and control the return of incorrectly paid incentive payments from overpaid correctional institutions recouped 14 incorrectly paid incentive payments totaling $7,000 in money credited back to our OASDI and General trust funds. We could not implement our third initiative to capture inmate population files from the largest State correctional institutions. Our reporting agreements with our State correctional institutions required revisions to capture this specific inmate information. We have recently revised our reporting agreements, and we will begin renegotiating these agreements in FY 2018 to request State correctional inmate population reports. Obtaining this inmate data will help us determine if we are receiving complete prisoner information from each of these State correctional reporters.

IMPROVING THE REPRESENTATIVE PAYEE CAPABILITY DETERMINATION PROCESS

An internal report found that we need to improve the way we develop and document capability determinations for competent adults. In addition, a National Academy of Medicine study advised that we could improve our capability determination process by providing detailed guidance to third parties who provide information (i.e., lay evidence) about a beneficiary's ability to manage his or her benefits. Using the respective findings of these reports as a guide, we implemented the following plan to improve our capability determination process:

- Consolidated, streamlined, and clarified capability determination instructions to help ensure consistency in the development and documentation of capability determinations;

- Implemented the first release of enhancements to our electronic Representative Payee System to ensure that all capability determinations are properly developed and documented; and

- Developed and delivered mandatory field office training to ensure proper understanding of how to develop and document capability determinations.

MAJOR CAUSES AND CORRECTIVE ACTIONS FOR IMPROPER ADMINISTRATIVE PAYMENTS

The major causes of improper administrative payments (overpayments and underpayments) include:

- Incorrect amounts paid (including duplicate payments);
- Health benefit debts due to insufficient employee pay (e.g., in a non-pay status); and
- Salary overpayment due to processing retroactive timesheet corrections and personnel actions.

Corrective actions include:

- The majority of the incorrect amounts paid in FY 2016 (for vendor and travel payments) were due to a single incident where one invoice was submitted and processed twice. The second submission of the invoice varied slightly from the original, preventing us from more rapidly identifying the invoice as a duplicate. We recovered this overpayment within one week of the incorrect payment. To prevent a similar occurrence, we reviewed our internal procedures, notified the appropriate personnel involved in the improper payment, and determined that existing internal controls are adequate.

- Health benefit debts are a major cause of payroll and benefits improper payments. These debts automatically occur when an employee, who has health benefits coverage, is in a non-pay status for the entire pay period or if there are insufficient funds to make the current pay period deduction. The employee now becomes indebted to the agency because we paid both the employee and agency's share.

- Retroactive timesheet corrections are another major cause of payroll and benefits improper payments. Timesheets sometimes need to be adjusted retroactively due to normal business processes, such as early closeouts (e.g., an employee is paid based on estimated hours of work, but the employee then requests to change leave without pay to paid leave or advanced leave to leave without pay), late approval of overtime or compensatory time requests, and other appropriate reasons for retroactive changes.

- Retroactive personnel actions are another major cause of payroll and benefits improper payments. Personnel actions are sometimes delayed, and actions must be backdated to the appropriate point in time. Retroactive timesheet corrections and personnel actions also sometimes occur due to coding errors. In those cases, additional training is provided for appropriate personnel, and internal controls are reviewed to ensure they are adequate.

  For timesheet and personnel action corrections, we recalculate the employee's record for the earliest pay period affected forward for actions that occurred within the last 52 pay periods. A negative result indicates that the employee was overpaid, and the system automatically creates a debt. An action that is past 52 pay periods cannot be processed through the electronic system; therefore, we must enter the debt manually.

  To address the major causes of payroll and benefits improper payments, we are working to implement recent updates to OMB Circular No. A-123, which will:

  o Broaden our efforts to identify improper payments;
  o Train staff on new data querying tools; and
  o Develop new baseline metrics.

Please note that for government-wide reporting purposes, we treat our FY 2016 findings as FY 2017 data. We will not have FY 2017 data until January 2018. We will report our findings from the FY 2017 reviews in next year's *Payment Integrity* report.

REDUCTION TARGETS

Table 3 below presents our accuracy targets for FYs 2017 and 2018 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

Table 3: OASDI Improper Payments Reduction Outlook
FY 2017 – FY 2018
(Dollars in Millions)

	FY 2017 Target		FY 2018 Target	
	Dollars	**Rate**	**Dollars**	**Rate**
OASDI				
Total Benefit Payments	$934,599.47		$989,710.07	
Underpayments	$1,869.20	≤0.20%	$1,979.42	≤0.20%
Overpayments	$1,869.20	≤0.20%	$1,979.42	≤0.20%

Notes:

1. Total OASDI benefit payments for FYs 2017–2018 are estimates consistent with projections for the Mid-Session Review of the FY 2018 President's Budget.
2. FY 2017 data will not be available until summer 2018; therefore, the rates shown for FY 2017 are targets.
3. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.

Table 3.1 presents our target accuracy goals for FYs 2017 and 2018 for the SSI program.

Table 3.1: SSI Improper Payments Reduction Outlook
FY 2017 – FY 2018
(Dollars in Millions)

	FY 2017 Target		FY 2018 Target	
	Dollars	**Rate**	**Dollars**	**Rate**
SSI				
Total Federally Administered Payments	$57,031.52		$57,977.94	
Underpayments	$684.38	≤1.20%	$695.74	≤1.20%
Overpayments	$3,421.89	≤6.00%	$3,478.68	≤6.00%

Notes:

1. Total federally administered SSI payments for FYs 2017–2018 are estimates consistent with projections for the Mid-Session Review of the FY 2018 President's Budget, adjusted to be presented on a constant 12 month per year payment basis.
2. FY 2017 data will not be available until summer 2018; therefore, the rates shown for FY 2017 are targets.

RECAPTURE OF IMPROPER PAYMENTS REPORTING

INFORMATION ON PAYMENT RECAPTURE AUDIT PROGRAM

In this section, we discuss how we meet the payment recapture audit requirements of IPERA for our OASDI and SSI programs and administrative payments. Table 4 shows our results from our payment accuracy reviews for our OASDI and SSI programs and administrative payments.

Table 4: Overpayment Payment Recaptures with and without Recapture Audit Programs
(Dollars in Millions)

Overpayments Recaptured through Payment Recapture Audits					
	Benefits		Other		Total
Program or Activity	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amount Identified (FY 2017)	$13,173.15	$13,098.08	$4.02	$0.45	$26,275.69
Amount Recaptured (FY 2017)	$2,567.13	$1,320.98	$2.16	$0.41	$3,890.68
FY 2017 Recapture Rate	19%	10%	54%	93%	15%
FY 2018 Recapture Rate Target	16%	9%	100%	100%	15%
FY 2019 Recapture Rate Target	15%	8%	100%	100%	15%

Overpayments Recaptured outside of Payment Recapture Audits					
	Benefits		Other		Total
Program or Activity	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amounts Identified (FY 2017)	$0.00	$0.00	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	$2.40
Amounts Recaptured (FY 2017)	$0.00	$0.00	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	$1.29

Notes:

1. This table comprises all identified and recovered benefit program overpayments from our benefit payment recapture audit program for the specified fiscal year. Overpayments identified or recovered in a specified year include debt established in prior years. We do not recapture benefit overpayments outside of our payment recapture audits for benefit payments.

2. The Amounts Identified for benefit payments are debt available for recovery in FY 2017. These amounts include debts identified in previous fiscal years that were not recovered or were determined to be uncollectible.

3. The Amounts Recaptured for benefit payments are FY 2017 recoveries from debt we had available for recovery in FY 2017, which include debts identified in prior years.

4. We do not consider every overpayment improper according to the definition contained in IPIA.

5. We based the recapture rate target for benefit payments on FY 2017 and prior years' experience and the anticipated growth of our benefit payments in FY 2018 and FY 2019.

6. This table comprises all identified and recovered administrative overpayments from our internal payment recapture audit program for administrative payments. We include these administrative payments under the table heading titled "Other."

7. Totals for Amount Identified (FY 2017) and Amount Recaptured (FY 2017) for administrative payments are from our internal payment recapture audit in FY 2016. Overpayments identified or recaptured in FY 2016 include debt established in prior years.

8. For the overpayments recaptured outside of payment recapture audits, the totals are derived from multiple sources and mainly include identified and recovered administrative overpayments from sources other than our in-house recovery audit program for vendor and employee travel payments and our payment accuracy reviews for payroll and benefits payments, which we discuss in the Recapture of Improper Payments Reporting section of this *Payment Integrity* report. We do not have separated totals for payroll and benefits or vendor and travel.

9. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2016 but could have occurred in a prior year.

10. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive dollar amounts and percentages from unrounded source data.

11. We return all amounts recaptured to the original appropriation from which the payment was made.

BENEFIT PAYMENTS

PAYMENT RECAPTURE AUDIT PROGRAM

For our OASDI and SSI benefit payments, we meet the payment recapture audit requirements of IPERA through existing program integrity efforts. We have a multi-pronged approach to conducting payment recapture audits for our OASDI and SSI programs. Our employees follow an internal review process to determine OASDI and SSI payment accuracy. We perform stewardship reviews, which measure the accuracy of payments to beneficiaries and recipients. Each month, specialists with extensive expertise in our benefit programs and business processes, conduct our stewardship reviews. These employees review a sample of OASDI and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, make collateral contacts as needed, and redevelop all non-medical factors of eligibility and payment amount for the review period. We use these data to identify payment accuracy, as well as our strengths and weaknesses, which allows us to target our resources to take corrective actions that yield the highest return on investment.

In our field offices, processing centers, and State disability determination services (DDS), employees conduct reviews for ongoing eligibility. Medical CDRs are periodic reevaluations to determine if beneficiaries still meet our definition of disability. A work CDR is a review of the eligibility requirements regarding a DI beneficiary's ability to perform SGA. SSI redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources. Our statistical predictive models help us prioritize the CDRs and redeterminations we work annually. We first complete those CDRs and redeterminations that will likely result in the greatest savings. Please see the section of this *Payment Integrity* report titled, Agency Information Systems and Other Infrastructure, Human Capital, for information on savings.

CDRs and SSI redeterminations are our most effective payment recapture program integrity activities because they both identify cases where we should discontinue benefit payments. To support CDRs and redeterminations, we specifically request funding through the normal budget process, and the number of CDRs and redeterminations we can conduct each year depends on the level of resources appropriated to the agency.

PAYMENT RECAPTURE AUDIT REPORTING

OMB Circular No. A-136 requires agencies that have programs or activities that are susceptible to significant improper payments to report about their payment recapture audit activities. However, we are unable to segregate our improper payments from our total overpayment aggregate for our OASDI and SSI benefit payments since some overpayments are not improper according to the definition of improper payments in IPIA. Certain overpayments are unavoidable and not improper if statute, regulation, or court order requires these payments (such as continued payments required by due process procedures). Table 4 shows our OASDI and SSI overpayment experience, inclusive of improper payments.

In addition, some overpayments are uncollectable. We may compromise, suspend, or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards based on the following criteria:

- The cost of collection does not justify the enforced collection of the full amount;

- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;

- The debt has been discharged in bankruptcy; or

- The debtor has requested a waiver or review of the debt and the agency determines that such request is credible.

PROGRAM RECOVERY TARGETS

IPERA guidance requires that agencies establish annual targets for their payment recapture audit programs that will drive their annual performance. The targets represent the rate of recovery (i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified). As shown in Table 4, we determine our payment recapture recovery targets for benefit payments for FY 2018 and FY 2019 based on our FY 2017 experience. Certain uncontrollable factors affect our payment recapture recovery targets. For example, the state of the economy affects the availability of employment. We generally experience greater collections from our external debt collection tools when jobs are abundant and former OASDI beneficiaries and SSI recipients are working.

ADMINISTRATIVE PAYMENTS

INTERNAL PAYMENT RECAPTURE AUDIT PROGRAM

As shown in Table 4.1, we segment administrative payments into several categories to analyze and determine the vulnerability of these outlays to improper payments.

Table 4.1: FY 2016 Administrative Expenses
(Dollars in Millions)

Payroll and Benefits	$6,746
State DDS	$1,986
***American Recovery and Reinvestment Act* (ARRA)**[1]	$70
Other Administrative Expenses[2]	$3,546
Total Administrative Expenses	$12,348

Notes:

1. ARRA expenses consist of National Support Center building costs only.

2. Other Administrative Expenses includes vendor, 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, interest and dividends, and insurance claims and indemnities.

We conduct annual payment accuracy reviews as part of our payment recapture audit program. Results from the audit program and quality review process continue to confirm that our administrative payments are well below the OMB threshold for reporting improper payments.

In the paragraphs below, we indicate the categories from Table 4.1 or payment types within a category that we did not review because it was not cost effective. As required by OMB Circular No. A-136, we notified OMB in September 2015 that certain categories and payment types within a category are not cost effective to review; and therefore, are excluded from our payment recapture audit program.

For FY 2016, the internal recovery audit program included a review of the following payment categories from Table 4.1: Payroll and Benefits and Other Administrative Expenses.

Payroll and benefits account for a majority of our total administrative expenses. For FY 2016, we found approximately $4.02 million in improper payroll overpayments out of $6,746 million payroll payments, which yielded a 0.06 percent improper overpayment rate. We return all amounts recovered to the original appropriation from which the overpayment was made.

From the Other Administrative Expenses category, we review vendor and employee travel payments using an existing internal recovery audit program that contains a number of tools to aid in the detection and recovery of improper overpayments, including:

- An automated query system to identify duplicate payments made to the same vendor, with the same invoice date, and for the same amount;

- An annual payment accuracy review examining select criteria on a random sample of payments to identify improper payments or weakness in the internal payment recapture audit program; and

- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

In FY 2016, we reviewed $1.60 billion in vendor and travel payments out of $1.65 billion subject to review. We elected to exclude incomplete cost-type contracts from the scope of the recovery audit since they have payments that are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms of the contract.

We identified total vendor and travel improper overpayments of $0.445 million, approximately 0.03 percent of total payments subject to review. As of the end of FY 2016, almost $48,000 remained uncollected, which included amounts identified for recovery in prior years. The remaining receivables balance reflected the timing of when we issued the request for overpayment refund. Our recovery goal for all vendor and travel overpayments is 100 percent. We return all amounts recovered to the original appropriation from which the overpayment was made.

Within the Other Administrative Expenses category, we exclude, from our payment recapture audit program, payments made via electronic payment systems because they are not cost-effective to review for the following reasons:

- The excluded payments are not usually susceptible to improper payments because they utilize interfaced systems that require little manual intervention and include strong system controls to prevent improper payments.

- In November 2011, we awarded a contract to a vendor to perform a payment recapture audit of all our administrative payments, including the Other Administrative Payments category. Of $23,282 million in payments reviewed (spanning three fiscal years), the auditors identified, and we confirmed and recovered, improper payments totaling $29,191, approximately 0.00013 percent of the payments reviewed. The few improper payments identified were either vendor or DDS payments.

For State DDS payments, our 10 regional offices review amounts drawn against pre-approved DDS spending plans. For payment accuracy, our OIG reviews the DDS payments on a rotational basis. We use our OIG's findings, if any, to enhance our payment controls.

For ARRA payments, we rely on our OIG's audits of the ARRA funds as part of our payment recapture audit program for administrative payments. ARRA payments made up only 0.6 percent of our total administrative expenses in FY 2016.

Not all administrative overpayments are collectable. We may compromise, suspend, or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards based on the following criteria:

- The cost of collection does not justify the enforced collection of the full amount;

- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;

- The debt has been discharged in bankruptcy; or

- The debtor has requested a waiver or review of the debt and the agency determines that the request is credible.

ADMINISTRATIVE PAYMENTS RECOVERY TARGETS

Similar to the OASDI and SSI programs, IPERA guidance requires that agencies establish annual targets for administrative payment recapture audit programs. Table 4 shows our targets for our administrative payment recapture audit program. We strive to recover all administrative overpayments, and established a 100 percent target. We selected this recovery rate based on our in-house recovery experience for the past three fiscal years. We incur a small amount of administrative overpayments, mainly from former employees and duplicate payments to vendors. We use various tools for collection, including offset of subsequent vendor payments, the Treasury Offset Program (TOP), and Administrative Wage Garnishment (AWG).

DISPOSITION OF PAYMENT RECAPTURE FUNDS

Table 5: Disposition of Funds Recaptured Through Payment Recapture Audit Programs
(Dollars in Millions)

Amount Recaptured		Disposition of Recaptured Funds						
Program or Activity	Amount Recaptured	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of the Inspector General	Returned to Treasury	Other[1]
Benefit	$3,888.11	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$3,888.11
Administrative	$2.57	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$2.57

Note:

1. We return all amounts recaptured to the original appropriation from which the payment was made for our benefit and administrative payments.

AGING OF OUTSTANDING OVERPAYMENTS

OMB Circular No. A-136 requires agencies to have an aging schedule of the amount of outstanding overpayments identified through their payment recapture audit program (i.e., overpayments that have been identified but not recaptured). Table 6 shows our aging schedule for our OASDI and SSI programs and our administrative payments.

Table 6: Aging of Outstanding Overpayments Identified in the Payment Recapture Audits
(Dollars in Millions)

Program or Activity		FY 2017 Amount Outstanding (0 to 6 Months)	FY 2017 Amount Outstanding (6 Months to 1 Year)	FY 2017 Amount Outstanding (Over 1 Year)	FY 2017 Amount Determined to not be Collectable
OASDI	Overpayment Dollars	$954.90	$513.15	$2,126.58	$465.89
	Percent of Total Outstanding	9%	5%	21%	5%
SSI	Overpayment Dollars	$835.69	$549.49	$4,034.18	$312.53
	Percent of Total Outstanding	7%	5%	35%	3%
Payroll and Benefits	Overpayment Dollars	$1.29	$0.71	$1.51	$0.59
	Percent of Total Outstanding	37%	20%	43%	17%
Vendor and Travel	Overpayment Dollars	$0.03	$0.00	$0.02	$0.00
	Percent of Total Outstanding	62%	4%	35%	3%
TOTAL	Overpayment Dollars	$1,791.90	$1,063.35	$6,162.28	$779.02
	Percent of Total Outstanding	8%	5%	28%	4%

Notes:

1. The aging of outstanding overpayments begins when the overpayment is delinquent, which is generally when no voluntary payment has been made 30 days after the latest of the following dates:

   - The debt was established on our system for OASDI;
   - The initial overpayment notice for a debt established on the SSI system;
   - The last voluntary payment;
   - An installment arrangement;
   - A decision on an individual's request to reconsider the existence of the overpayment; or
   - A waiver denial.

2. Totals for payroll and benefits payments and vendor and travel payments are from our internal payment recapture audit in FY 2016.

3. Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2017 for OASDI overpayments and SSI overpayments. For payroll and benefits overpayments and vendor and travel overpayments, Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2016.

4. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive dollar amounts and percentages from unrounded source data.

5. FY 2017 Amount Determined to not be Collectable is not included in the amount outstanding or total outstanding.

ADDITIONAL COMMENTS

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

In addition to our efforts to prevent and detect improper payments, we also have a comprehensive debt collection program. We collected $3.9 billion in OASDI and SSI benefit overpayments in FY 2017 at an administrative cost of $0.07 for every dollar collected. We collected $17.3 billion over a 5-year period (FYs 2013–2017). Since 2004, our cumulative recoveries are $41.5 billion for OASDI and SSI benefit overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and follow-up), as well as some external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. From 1992–2017, our external collection techniques have yielded $7.071 billion in benefit overpayment recovery. For additional information about our external collection techniques, please refer to the Debt Collection and Management section of this FY 2017 *Agency Financial Report*.

We suspend or terminate collection activity in accordance with the authority granted by the U.S. Code and the Federal Claims Collection Standards. Generally, we terminate or suspend collection action when the debtor cannot repay, we are unable to locate the debtor, or the cost of collection is likely to be more than the amount recovered. Terminating collection action is a temporary or conditional write-off in that the debt remains on the debtor's record. If the debtor becomes entitled to benefits in the future, we will collect the debt by appropriate and available methods.

We developed a system to handle TOP, credit bureau reporting, and AWG. Because the system includes more than TOP and is the basis for any future collection interfaces with agencies or entities outside our agency, we call it the External Collection Operation (ECO) system.

In September 2013, we enhanced ECO to collect delinquent debts through Treasury's State Reciprocal Program. The State Reciprocal Program allows States to enter into reciprocal agreements with Treasury to collect unpaid State debt by offset of Federal non-tax payments. In return, the agreements allow the Federal Government to collect delinquent non-tax debt by offset of State payments.

Continued improvement in other aspects of our debt collection program is underway. In FY 2016, we began planning and analysis of the Overpayment Redesign information technology investment. Through this initiative, we will build a new comprehensive overpayment system that will enable us to record, track, collect, and report our overpayments more efficiently. The Overpayment Redesign investment will be a multi-year effort.

As resources permit, we will also expand the Non-Entitled Debtors (NED) program to collect additional debts from debtors who have never been entitled to OASDI benefits or SSI payments. We plan to develop the NED initiative in a series of releases. Currently, NED captures payments made to representative payees after the death of an OASDI beneficiary, and overpayments to representative payees prior to the death of the OASDI beneficiary for which the payee is responsible.

- In the future, we also will analyze the implementation of the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value. In addition, we will assess the use of private collection agencies for debt collection. Prior to implementing these additional debt recovery tools, we will need to address many factors, such as:

  o The impact on our current collection policies and procedures;

  o Post-entitlement notices, as well as the need for new notices; and

  o Feasibility of resources to address development, implementation, and oversight from an information technology and operations impact perspective.

We are also pursuing modernization of our remittance operation. Currently, individuals and third parties repay debt by either mail or telephone. We are developing multiple channels to receive remittances electronically. We plan to complete planning and analysis of our solutions in FY 2018.

COLLECTING DEBT

Our improper payments strategy includes focusing on enhancements to improve our OASDI and SSI debt recovery efforts. In October 2013, we began notifying debtors of our ability to offset eligible State payments to collect their debt. These changes also support debt management compliance and performance as required by OMB. Below are enhancements to improve our OASDI and SSI debt recovery efforts.

- Overpayment Redesign.
  - We began the planning and analysis phase in FY 2016.
  - We currently plan to begin development and implementation starting in FY 2018 through FY 2023.
- Remittance Modernization.
  - We completed planning and analysis on the Social Security Electronic Remittance System to process remittances received in our field offices for program debt and completed development in FY 2017. National rollout began in October 2017, with full implementation achieved in December 2017.
  - We are currently in the planning and analysis phase for other electronic remittance options.
- Treasury Report on Receivables enhancements for OASDI and SSI.
  - We implemented systems enhancements to meet the reporting requirements of the *Digital Accountability and Transparency Act of 2014*.

RECOVERY OF OVERPAYMENTS DUE TO DEATH

The Federal Government uses the reclamation process to recover benefit payments paid via direct deposit to the financial account of a beneficiary who died, became legally incapacitated, or a beneficiary who died before the date of the payment(s). To recover OASDI and SSI payments funds from U.S. financial institutions, we must send reclamation requests within 120 days of the date we learned of a beneficiary's death. A financial institution may protest any reclamation if it believes we did not initiate reclamations timely.

We have procedures for recovering both OASDI and SSI improper payments for overpayments due to death where we paid the beneficiary by paper check. Below are examples of actions we take for OASDI and SSI beneficiaries:

If the overpaid OASDI beneficiary is deceased, we attempt to recover the overpayment by:

- Withholding any underpaid benefits due to the deceased beneficiary;
- Withholding any lump-sum death payment payable to individuals on the same earnings record;
- Proposing adjustment against any person who was living in the same household and receiving benefits on the overpaid individual's earnings record at the time the overpaid individual died; or
- Sending a letter to the endorser or the deceased's estate requesting repayment.

If the overpaid SSI recipient is deceased, we will notify the estate of the overpayment and seek recovery from:

- A liable representative payee;
- A liable spouse;
- A sponsor of an alien recipient (under certain circumstances); or
- Any individual who committed fraud to cause the overpayment.

Post-payment Internal Controls: We have several post-payment internal controls to track and resolve discrepancies related to allegations of death, including:

- The Numident Death Match – This match identifies discrepancies between the Numident and our payment records, which results in monthly alerts that feed into the Death Alerts Tracking System (DATS). We use DATS to resolve these alerts and stop paying benefits, if appropriate.

- The Death Information Processing System (DIPS) – DIPS is an agency-wide, web-based system used to add, change, or remove death information on the Numident database for deceased individuals. DIPS replaced the Death Alert Control and Update System and the Customer Information Control System.

- The Electronic Death Registration (EDR) process – This State-sponsored initiative automates the paperbound death registration process and allows States to verify the name and Social Security number of a deceased person against our Numident before registering the death. This process results in the transmission of more accurate and timely death information electronically to us, allowing us to stop death benefits for the deceased beneficiary. The EDR process supports the agency's Strategic Goal, "Strengthen the Integrity of Our Programs." This includes minimizing improper payments by identifying and preventing erroneous payments after death, reducing erroneous death terminations, and improving our process of initial death reports. Death reports received timely greatly reduce the probability of improper payments to deceased beneficiaries.

BARRIERS

Our processes and policies and our statutory and regulatory requirements are complicated, which poses challenges in our administration of our programs. To meet the challenges of our growing workloads and provide the best service possible, we continue to streamline our policies and procedures and automate more of our business processes. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. The FY 2018 President's Budget includes several legislative proposals that can help simplify our programs and better identify, prevent, and recover improper payments. We discuss some of these proposals in the following paragraphs. More information on our legislative proposals can be found in our *FY 2018 Budget Overview* (www.socialsecurity.gov/budget/).

INCREASE FROM $10 TO 10 PERCENT THE MINIMUM AMOUNT WE CAN WITHHOLD FROM MONTHLY OASDI BENEFITS TO RECOVER AN OVERPAYMENT

When a beneficiary receives more OASDI benefits than he or she should have, we can recover this overpayment by reducing the beneficiary's future monthly benefits. Depending on the beneficiary's financial circumstances, we may decide to recover less than the full amount of the monthly benefit until the overpayment is repaid in full. However, we are required to recover at least $10 per month. This proposal would require us to recover at least 10 percent of the monthly OASDI benefit when recovering an overpayment. The SSI program already uses the 10 percent rule to recover overpayments.

CONDUCT DATA MATCHES WITH PRIVATE COMMERCIAL DATABASES

The FY 2018 President's Budget includes a proposal that would reduce improper payments by authorizing us to conduct data matches with private commercial databases that maintain data on ownership of real property (i.e., land and buildings), which can be a countable resource for SSI purposes. The proposal would authorize us to use that information to automatically determine an individual's eligibility for benefits, after proper notification. In addition, we could require a beneficiary's consent to allow us to access these databases as a condition of benefit receipt. All current due process and appeal rights would be preserved.

ACCOUNTABILITY

Effective FY 2012, as required by IPERA, we are holding managers, program officials, and senior executives accountable for reducing improper payments. For these employees, their annual performance plans reflect their responsibility to support efforts to maintain sufficient internal controls to prevent, detect, and recover improper payments and meet targets to reduce improper payments.

AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE

INTERNAL CONTROLS

We have a strong internal control environment that has always included controls over our benefit payment and debt management processes. As a result, we are directly leveraging our existing internal control environment and assurance processes to provide reasonable assurance that our internal controls over improper payments are in place and operating effectively.

As part of our internal control environment, we have a well-established, agency-wide management control program as required by the *Federal Managers' Financial Integrity Act* (FMFIA). We accomplish the objectives of the program by:

- Integrating management controls into our business processes and financial management systems at all organizational levels;

- Reviewing our management controls and financial management systems controls on a regular basis; and

- Developing corrective action plans for control weaknesses and monitoring those plans until we resolve the issues.

We established the Improper Payments Oversight Board (IPOB) to ensure that we are focusing on improper payment prevention, formulating clear and innovative strategies, and driving timely results agency-wide. The IPOB's role is to serve as the corporate team to:

- Oversee all improper payment-related activities for the agency;

- Collaborate and shape strategy; and

- Resolve cross-component differences, address challenges encountered by staff, and drive timely results.

For additional information about our internal control environment, please refer to the *Systems and Controls* section of this FY 2017 *Agency Financial Report*.

The effective internal controls we incorporate into our business processes and financial management systems, as well as the program integrity efforts mentioned throughout this report, support our Acting Commissioner's annual statement to the President and Congress that discusses whether our:

- Internal controls over the effectiveness and efficiency of programs and compliance with applicable laws and regulations are operating effectively;

- Financial management systems are in conformance with government-wide requirements; and

- Internal controls over financial reporting are operating effectively.

We include the Acting Commissioner's annual statement of assurance, additional information of our review program, and our financial statement audit, in the *Systems and Controls* section of this FY 2017 *Agency Financial*

Report. In addition, we include the auditors' report in the *Auditors' Report* section of this FY 2017 *Agency Financial Report*.

Our strong overall internal control program contributes significantly to our efforts to reduce improper payments.

HUMAN CAPITAL

Our program integrity work is labor-intensive and dependent on having the necessary trained staff to do the work. The same employees who handle our program integrity work also handle applications for benefits and other mission-critical work.

Our stewardship responsibility includes conducting non-medical SSI redeterminations and full medical CDRs. These reviews save significant program dollars by avoiding improper payments. In FY 2016 and FY 2017, our budgets increased and, as a result, we were once again able to increase the number of full medical CDRs that we process. In FY 2016, we completed over 850,000 full medical CDRs and approximately 2.53 million SSI redeterminations. In addition, we completed approximately 285,000 work CDRs in FY 2016. In FY 2017, we completed approximately 870,000 full medical CDRs and approximately 2.59 million SSI redeterminations. In addition, we completed approximately 313,500 work CDRs in FY 2017.

The FY 2018 President's Budget will help enable us to eliminate the backlog of CDRs by the end of FY 2018 and prevent a new backlog from developing, which will help ensure that only those eligible for OASDI and SSI disability benefits continue to receive them. Assessments of the return on investment from CDRs completed in FY 2014 and earlier, establish that we achieve significant program savings with this workload. The Budget proposes $1,735 million, which includes the 2018 cap adjustment amount of $1,462 million, as authorized in the *Bipartisan Budget Act of 2015*. The *Bipartisan Budget Act of 2015* authorized a net increase in new cap adjustment levels through 2021.

INFORMATION SYSTEMS

The Comprehensive Integrity Review Process (CIRP) supports our stewardship responsibility to ensure the accuracy of benefit payments and to protect personal information maintained in our programmatic systems. This process enables us to fulfill our obligation to comply with Federal laws, such as FMFIA, which requires that we establish and maintain effective internal controls. CIRP automatically selects potentially suspicious transactions for management investigation based on predefined criteria. The selection criteria are focused on suspicious activity rather than improper payments. However, if the transaction involves an issued payment, the reviewer looks at the accuracy of the payment to ensure that we complied with proper procedures.

In August 2013, we implemented the Public Facing Integrity Review (PFIR) system to monitor potentially fraudulent online transactions. We use this tool to investigate suspicious direct deposit transactions made through *my* Social Security online accounts and to take steps to mitigate any losses to our agency and the public. In November 2015, we released an update of the PFIR system that included measures intended to help secure our newest online service, Internet Social Security Number Replacement Card application. This enhancement to the PFIR system added new fraud prevention and detection processes specific to enumeration, in addition to established processes that safeguard *my* Social Security online accounts and direct deposit transactions.

We continue to collaborate with Treasury to identify and implement fraud detection activities. In April 2016, we launched a Direct Deposit Fraud Prevention (DDFP) enhancement, which assists in detecting and preventing unauthorized redirection of benefit payments. With this enhancement, an alert appears that allows the review of the record to determine whether to accept or cancel a pending direct deposit change. In May 2016, we executed an additional enhancement to DDFP to allow us to add a suspense code to a record to prevent the unauthorized redirection of benefits. We continue to take advantage of a fraud indicator flag to assist when beneficiaries indicate that they did not receive their direct deposit payment. The fraud indicator provides supporting evidence to assist with the recovery of misdirected payments.

The demands for our services continue to grow at a rate that will soon outpace our resources. To support the changing needs of our employees and the public we serve, we launched the IT Investment Process - a more effective and efficient way of managing our IT Investments. We established an IT Investment Review Board, with senior executive level membership that meets regularly to evaluate IT proposals to ensure they meet the priorities of the agency.

OTHER INFRASTRUCTURE

As required by law, we conduct pre-effectuation reviews on at least 50 percent of adult initial and reconsideration disability determination allowances made by the State DDS offices. We use a predictive statistical model to identify error-prone disability determinations, and we return deficient cases to the State DDS offices for corrective action. We estimate that the prevention of incorrect allowances and continuances of FY 2015 cases will result in lifetime savings (after all appeals) of:

- $433 million in OASDI benefit payments;

- $60 million in SSI Federal payments;

- $228 million in Medicare benefits; and

- $2 million in the Federal share of Medicaid payments.

SAMPLING AND ESTIMATION

We use stewardship reviews to measure the accuracy of payments to beneficiaries. Each month, we review a statistically valid sample of OASI, DI, and SSI cases to determine payment accuracy rates. For each sample case, we interview the beneficiary or representative payee, contact third parties for additional information if needed, and redevelop all non-medical factors of eligibility as of the sample month to determine whether the payment was correct. We express any difference between what we actually paid and what the reviewer determines we should have paid as an overpayment or underpayment error. We based the data in the OASDI and SSI Improper Payments Experience tables on cases sampled in FY 2016. For government-wide reporting purposes, we treat our FY 2016 findings as FY 2017 data. We will not have FY 2017 data until summer 2018. We will report our findings from the FY 2017 stewardship reviews in next year's *Payment Integrity* report.

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 more or less, than we should have paid. 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 rolling average for each type of deficiency to identify and rank error trends.

Stewardship review findings provide the data necessary to meet the IPIA reporting requirements. The OASDI and SSI payment accuracy rates developed in the stewardship reviews reflect the accuracy of payments issued to OASDI beneficiaries and SSI recipients. In addition to the combined payment accuracy rates for OASDI, we calculate separate rates for OASI and DI. We base our corrective actions for our high-priority programs on the information we obtain from the stewardship reviews. We focus our efforts on major causes of improper payments, both overpayments and underpayments.