Other Information

SocialSecurity.gov

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 *Fiscal Year 2019 Inspector General Statement on the Social Security Administration'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). The Inspector General Statement 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, 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.

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

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 12, 2019

The Honorable Andrew Saul
Commissioner

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 2019, we identified the following seven management and performance challenges.

- Improve Administration of the Disability Programs
- 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 re-evaluated the Agency's challenges during Fiscal Year 2019, we refocused our list. As such, we plan to address the following challenges in this report.

- Improve Administration of the Disability Programs
- Minimize Payment Errors and Improve Management of Payment Workloads
- Improve the Prevention, Detection and Recovery of Improper Payments
- Improve Service Delivery
- Secure Information Systems and Protect Sensitive Data
- Modernize Information Technology

We further discuss the management and performance challenges in the attached document. In the discussion 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, including statistics SSA reported and Office of the Inspector General audits of SSA's operations. We also used the Fiscal Year 2019 independent auditor's report, which contained the results of SSA's financial statement audit. The report concluded that SSA had three significant deficiencies in internal controls as of September 30, 2019.

We will continue focusing on identified management challenges in Fiscal Year 2020 and assessing SSA's operations and the environment in which SSA operates. I look forward to working with you to continue improving SSA's ability to address these challenges and meet its mission efficiently and effectively.

Sincerely,

Gail S. Ennis

Gail S. Ennis
Inspector General

Enclosure

Fiscal Year 2019
Inspector General's Statement
on the
Social Security Administration's
Major Management and Performance Challenges

SOCIAL SECURITY ADMINISTRATION

OIG

November 2019

Improve Administration of the Disability Programs

Challenge

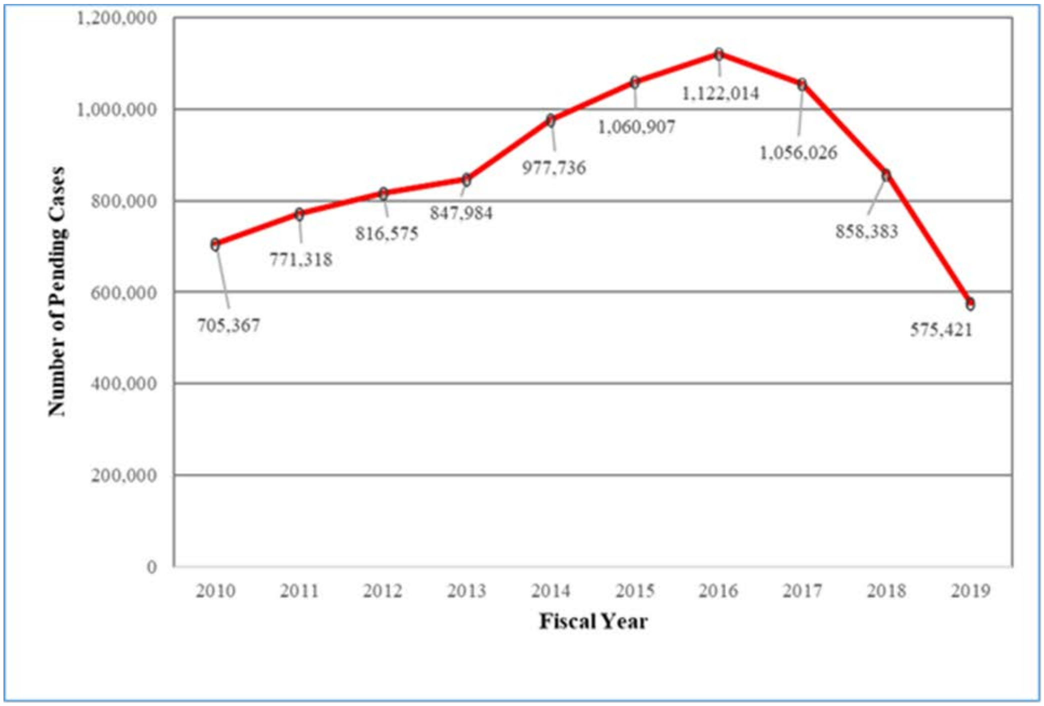
The Agency continues to face challenges with pending disability hearings and related processing times. Continued focus is necessary to simplify work incentive regulations and create new opportunities for returning beneficiaries to work.

Field and regional offices, hearing offices, the Appeals Council, and State disability determination services (DDS) process the Social Security Administration's (SSA) disability workloads. Specifically, State DDSs make disability determinations for initial claims, reconsiderations, and continuing disability reviews (CDR). Administrative law judges (ALJ) in hearing offices and administrative appeals judges in the Appeals Council decide appealed cases. Our previous reviews have raised concerns about backlogs in SSA's disability workloads, including initial disability claims and CDRs, but SSA has made progress in reducing the backlogs for both of these workloads. Specifically, initial disability claims pending decreased from almost 708,000 at the end of Fiscal Year (FY) 2012 to approximately 594,000 at the end of FY 2019. Further, in FY 2018, SSA eliminated the backlog of full medical CDRs that had existed since FY 2002.

Disability Hearings Pending and Processing Times

While hearings timeliness and pending levels have improved in recent years, SSA has not achieved its average processing time goal of 270 days. Average processing time for hearings increased 65 percent from 360 days in FY 2011 to 595 days in FY 2018, but it improved to 506 days in FY 2019. In addition, the number of pending hearings peaked at more than 1.1 million at the end of FY 2016 but was down to approximately 575,000 at the end of FY 2019. While pending levels were at their lowest in the last decade (see Figure 1), SSA considers any pending level that keeps the average processing time above 270 days as a "backlog." At the end of FY 2018, SSA considered over 460,000 hearings as "backlogged." SSA reported the number of "backlogged" cases dropped to approximately 240,000 hearings at the end of FY 2019.

Figure 1: Pending Hearings, FYs 2010 Through 2019



RETURN TO WORK

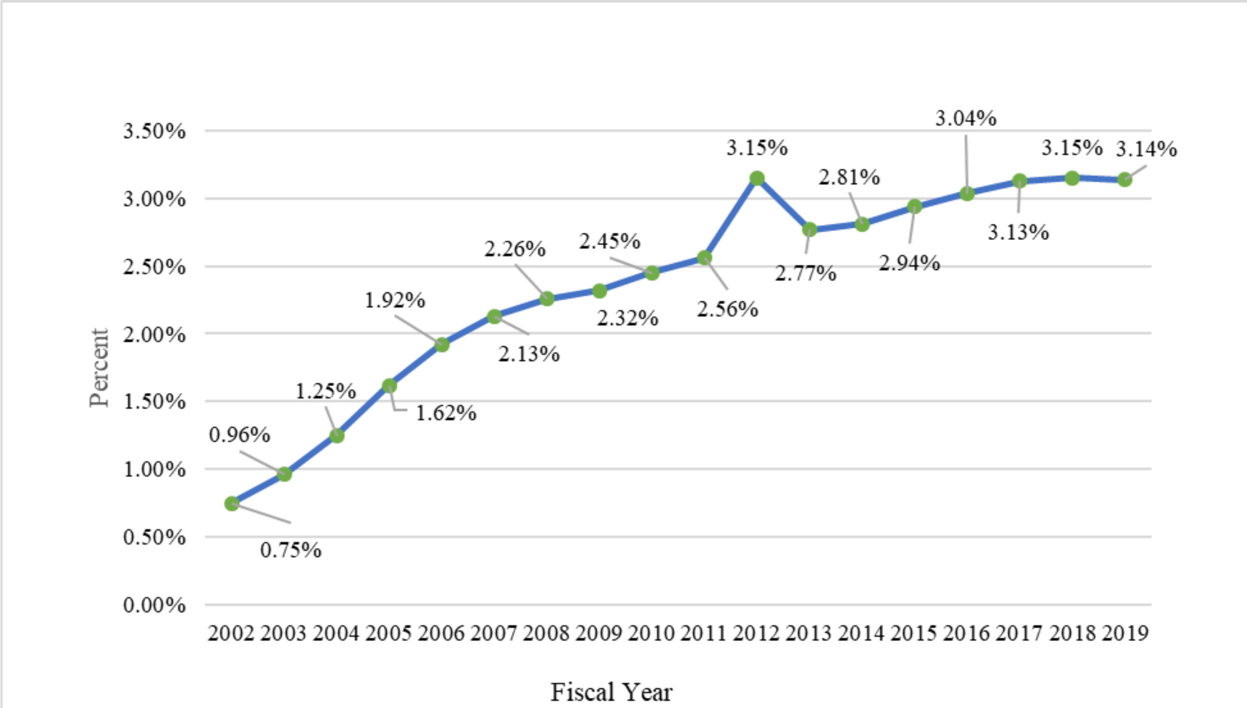
Congress directed SSA to implement employment support programs to help disabled individuals return to work. To date, these programs have helped only a small percentage of disabled individuals return to work.

- When Congress implemented the Supplemental Security Income (SSI) program in 1972, it established the Plan to Achieve Self-Support program to provide disabled individuals the assistance needed to return to work. Congress intended employment support provisions, such as the Plan to Achieve Self-Support, to assist disabled beneficiaries in moving from benefit dependence to independence.
- 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) 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.

When we reviewed the Plan to Achieve Self-Support program in November 2018, SSA could not provide costs incurred, savings, or return-to-work participant outcomes even though SSA implemented the program in 1972. SSA told us it completed a longitudinal study at the end of FY 2018. When we requested the study, the Agency responded the draft report was undergoing internal executive-level review and clearance, and it expected to release the report in the first quarter of FY 2020.

Few Ticket-eligible beneficiaries used their Tickets for vocational or employment services. Specifically, 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in-use in FY 2019, similar to the percent of individuals who assigned their Tickets in recent years (see Figure 2).

Figure 2: Percent of Ticket-eligible Beneficiaries with Tickets Assigned or In-use



Source: SSA's Office of Research, Demonstration, and Employment Support

Agency Actions

Cooperative Disability Investigations

The Cooperative Disability Investigations (CDI) program continues to be one of the Agency's most successful joint initiatives by combining the efforts of the Office of the Inspector General (OIG), SSA, DDSs, and State or local law enforcement personnel. The CDI units work to obtain evidence sufficient to resolve questions of potential fraud in SSA disability programs. As of September 2019, the CDI program had 46 units covering 40 States; Washington, DC; Guam; American Samoa; the Northern Mariana Islands; the U.S. Virgin Islands; and the Commonwealth of Puerto Rico. From inception in FY 1998 through September 2019, nationwide, the CDI program has resulted in approximately $4 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and SSI programs; $3 billion to non-SSA programs (such as Medicare); and $220 million in SSA monies to include recoveries, restitution, fines, penalties, judgments and settlements. As of September 2019, the CDI program's efforts in FY 2019 had led to 93 judicial actions, which include sentencings, pre-trial diversions, civil settlements, and civil monetary penalties, $177.8 million in projected savings to SSA's OASDI and SSI disability programs, $186.5 million to non-SSA programs, and $17.5 million in SSA monies.

Hearings and Appeals

In January 2016, SSA issued the *Compassionate And REsponsive Service* (CARES) plan to provide a framework of drivers and initiatives designed to address the growing number of pending hearings and increased wait times. In the original release of the CARES plan, SSA was projected to reach an average processing time of 270 days for hearings by the end of FY 2020. SSA attributes progress in reducing pending levels and processing times to ALJ and staff hiring, falling receipt levels, implementing improvements to the hearing process, modernizing its information technology (IT) infrastructure, implementing important policy changes, and rallying its workforce in serving the public.

In April 2019, SSA released the 2018-2019 CARES plan, which noted that SSA expected to reach the 270-day average processing time goal in 2021. SSA reduced the 21 initial CARES initiatives to 12 as it completed existing initiatives and identified new ones. The current initiatives relate to (1) business process efficiencies, (2) IT innovations and investments, and (3) accountability and oversight focus—a new initiative for 2019. Further, the Agency's Office of Hearings Operations is developing productivity metrics across the Office, including a productivity index to assess senior attorney advisor performance, which is in addition to the current established metric for decision writer performance.

As part of its CARES plan, SSA hired 264 ALJs in FY 2016 and 132 ALJs in FY 2017. However, SSA did not hire new ALJs in FYs 2018 or 2019. In addition, because of attrition, SSA reported it had 142 fewer ALJs and approximately 500 fewer support staff as of the end of FY 2019, compared to the end of FY 2018.

Additionally, the Agency's Office of Appellate Operations designed and piloted a software program called Insight to identify potential anomalies in hearing decisions. In FY 2018, the software was initially released to decisionwriters in five hearing offices and released to all hearing offices' decisionwriters by the end of FY 2018. We reviewed Insight in FY 2019 but could not determine whether it improved the quality of draft hearing decisions or reduced the number of remands. We could not make this determination because of limited information SSA tracked during the phased rollout. In addition, we reported the Office of Appellate Operations had not consulted with the Office of Retirement and Disability Policy about whether the quality flags Insight generated adequately identified policy-compliance errors at the hearing level.

Finally, in FY 2019, SSA restored the reconsideration step at the DDS level in six States, in part, to reduce the number of claimants waiting for an ALJ decision. Previously, claimants in 10 prototype States did not have the reconsideration step and appealed initial disability denials directly to an ALJ. SSA plans to return all States to a uniform administrative review process by the end of FY 2020. According to SSA, restoring the reconsideration step will help accelerate achievement of its hearings backlog reduction goal.

RETURN TO WORK

Per SSA, in FY 2019, beneficiaries assigned over 23,000 tickets to employment networks and over 72,000 tickets to State vocational rehabilitative agencies. Also, SSA reported there are 82 Work Incentive Planning and Assistance organizations nationwide providing specialized benefits counseling services to approximately 40,000 individuals per year.

Additionally, SSA reported it put into operation a wage reporting pilot to help strengthen the Ticket Program's integrity by minimizing improper payments caused by disabled beneficiaries' earnings. It also continued conducting a marketing pilot, which provided beneficiary data to participating employment networks so they could market their services to disabled beneficiaries. The Ticket Program Manager provided marketing and outreach to program stakeholders by managing two Ticket program-related Websites, operating the Ticket to Work Help Line, and hosting national teleconferences and webinars. It also conducted employment support related outreach to beneficiaries on Facebook and Twitter.

What the Agency Needs To Do

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 hearing office workloads.

Continue to create new opportunities for returning beneficiaries to work and ensure measurement of costs, savings, and effectiveness are part of the design of such initiatives.

Key Related Performance Measures

Some of the key performance measures from SSA's revised FY 2019 *Annual Performance Plan* related to this challenge are listed below.

- Improve customer service in the hearings process by prioritizing those individuals who have waited the longest for a hearing decision.
- Reinstate reconsideration to implement a national uniformed disability process at Step 2 of the appeal stage.
- Improve the disability determination process by increasing the percent of medical evidence received electronically.
- Increase the number of persons with disabilities receiving employment support services who achieve the consequential earnings threshold of the trial work level.
- Ensure the quality of disability decisions by achieving the State DDS' decisional accuracy rate for initial disability decisions.
- Expand CDI coverage.
- Initial disability claims receipts.
- Initial disability claims completed.
- Initial disability claims pending.
- Average processing time for initial disability claims.
- Hearings receipts.
- Hearings completed.
- Hearings pending.
- Annual average processing time for hearings decision.
- DDS production per workyear.
- Office of Hearings Operations production per workyear

KEY RELATED LINKS

OIG Report - *Oversight of the Benefit Offset National Demonstration Project*, (A-04-14-14078), September 2015

OIG Report - *The Social Security Administration's Plan to Achieve Self-Support Program*, (A-08-16-50030), September 2016

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

OIG Report - *The Social Security Administration's Programs and Projects that Assist Beneficiaries in Returning to Work*, (A-04-18-50600), November 2018

OIG Report - *Decision-writing Backlog in the Office of Hearings Operations*, (A-12-18-50579), March 2019

OIG Report - *The Social Security Administration's Use of Insight Software to Identify Potential Anomalies in Hearing Decisions*, (A-12-18-50353), April 2019

SSA OIG Website - Reports related to improving the administration of the disability programs

Minimize Payment Errors and Improve Management of Payment Workloads

Challenge

SSA issues monthly payments to approximately 70 million people and must be a responsible steward of the funds entrusted to its care by minimizing the risk of making improper payments and effectively recovering overpayments when they occur.

Payment Errors

Computation errors are a major cause of over-and underpayments. Inaccurate information or administrative mistakes can also cause errors when SSA calculates benefits. For FY 2018, SSA estimated that computational deficiencies resulted in $942 million in combined over-and underpayments. In 2019, we completed a number of reviews in this area. These reviews reported the following.

- As a result of a combination of employee and system errors, SSA did not provide due process to beneficiaries before it collected OASDI overpayments. As a result, we estimated SSA incorrectly recovered approximately $345 million in overpayments and will incorrectly recover an additional $671 million unless it corrects these errors.
- SSA did not always correctly process cases it identified as having a high risk of error in deferring payment of OASDI benefits. In a deferred OASDI case, SSA will withhold an individual's monthly benefit to collect prior incorrect payments or past-due Medicare premiums. An erroneous benefit deferral can occur if an SSA employee incorrectly updates a beneficiary's records. We estimated the errors resulted in approximately $40 million in incorrect payments to 11,000 beneficiaries.

Management of Payment Workloads

Improper payments can also result from inadequate management of payment workloads. For example, improper payments occur when SSA does not take proper actions to process disabled beneficiaries' work reports. For FY 2018, SSA estimated earnings verification deficiencies resulted in nearly $1 billion in overpayments. We have also completed a number of reviews in this area.

- In 2019, we reported that SSA employees did not always correctly process SSI alerts related to double-counted OASDI benefits. SSA systems generate alerts that prompt employees to ensure SSA does not reduce SSI payments incorrectly during OASDI overpayment collection periods. However, SSA employees did not always correctly process the alerts, which resulted in approximately $28 million in SSI underpayments.
- In 2018, we reported periodic system alerts SSA implemented in September 2016 did not identify all beneficiaries who received pensions based on Federal, State, or local government employment not covered by Social Security. SSA imposes windfall elimination provisions and government pension offsets on these individuals' benefits. We estimated SSA had issued approximately $232 million in improper payments since a 2013 audit we completed on the offsets.
- In 2012 and 2017, we identified approximately 102,000 beneficiaries/recipients to whom SSA continued issuing disability benefits more than 2 months after the Agency determined their disabilities had ceased. These processing errors resulted in approximately $131 million in improper payments. Establishing automation solutions to prevent improper payments due to unprocessed disability cessations continues to be an Agency priority.

In addition, the Steigerwald class action lawsuit identified approximately 130,000 cases where SSA may have improperly accounted for representatives' fees when it calculated past-due benefit payments to individuals who were subject to the windfall offset provision. SSA has a remediation plan for employees in its program service centers and field offices to recalculate each case's windfall offset and release any underpayments to the class action members.

Our planned work in these areas is designed to help the Agency further reduce computation errors and improve payment workload management.

Agency Actions

SSA has taken steps to minimize payment errors and improve management of payment workloads. SSA implemented an online tool to allow users to report earnings electronically on computers, mobile devices, and smartphones and expanded the electronic application to allow SSI recipients, their representative payees, or deemors to report earnings electronically. By automating this process, SSA expects to update its records sooner and reduce the need for customers to visit field offices.

What the Agency Needs To Do

Address the root causes of improper payments to prevent their occurrence.

Enhance accountability for managing performance through program and automation improvements and ensure any improvements include the measurement of their effectiveness.

Ensure staff have adequate training and technology.

Periodically review manual processes to determine whether they can be automated to reduce computation errors.

Key Related Performance Measures

Some of the key performance measures from SSA's *Annual Performance Plan for Fiscal Year 2020,* related to this challenge are listed below.

- Improve the integrity of the SSI program by focusing efforts on reducing overpayments.
- Maintain a high payment accuracy rate by reducing overpayments in the OASDI program.
- Strengthen manager accountability for effective performance management.
- Complete periodic CDRs and SSI non-medical redeterminations.

Key Related Links

Federal Payment Accuracy Website - Payment Accuracy – An Official Website of the United States Government

OIG Website - Reports related to minimizing payment errors and improving management of payment workloads

Improve the Prevention, Detection, and Recovery of Improper Payments

Challenge

SSA is responsible for issuing approximately $1 trillion in benefit payments, annually. Given the amounts involved, even the slightest error in the overall payment process can result in millions of dollars in over- or underpayments. Preventing, detecting, and recovering improper payments continues to be a challenge.

In its FY 2019 *Agency Financial Report*, SSA estimated it had made approximately $8.2 billion in improper payments in FY 2018. The Agency continues collaborating with external partners to address the root causes of improper payments to prevent their recurrence, and modernize its debt management and collection processes. We also continue focusing our work on obtaining and using external data to recommend steps SSA could take to prevent, detect, and recover improper payments.

Prevention and Detection

Preventing improper payments is more advantageous than detecting them after they are made since additional resources are not spent in recovering the overpayments. Numerous factors affect OASDI and SSI eligibility and payment amounts—such as wages and income, resources, and living arrangements. Beneficiaries and recipients are required to report to SSA any change in circumstances that may affect their benefits; however, they do not always comply. Therefore, obtaining data from external sources, such as other Federal agencies, State agencies, and financial institutions, is critical to prevent and detect improper payments.

- Over the last few years, we have reviewed death data from several State and Federal agencies and identified $138 million in payments that SSA issued after individuals' deaths. SSA took action to post the death information on its records, terminate the OASDI and SSI benefits, and recover the funds. Additionally, SSA continues expanding its use of the electronic death registration process, which allows States to verify a deceased person's name and Social Security number (SSN) against SSA's records before registering the death. The electronic death registration process results in the transmission of more accurate and timely death information to SSA, which allows it to timely stop the deceased beneficiary's payments.
- In a February 2013 report, we estimated 35,068 SSI recipients had approximately $152 million in overpayments because of unreported absences from the United States between September 2009 and August 2011. We recommended SSA work with the Department of Homeland Security to create a process that provides the necessary information to identify SSI recipients who are outside the United States for longer than 30 days. (The Department of Homeland Security maintains travel data on individuals who enter and leave the United States.) This has been a long-term project. On June 17, 2019, SSA started using Department of Homeland Security foreign travel data during SSI redeterminations.
- Each quarter, SSA obtains wage data from the Office of Child Support Enforcement (under the Department of Health and Human Services), which is more timely than the annual earnings data the Internal Revenue Service provides SSA. This allows SSA to identify sooner beneficiaries who may be working above certain dollar thresholds to prevent large overpayments. SSA also continues developing plans to implement section 824 of the *Bipartisan Budget Act of 2015* to obtain wage data from payroll providers.

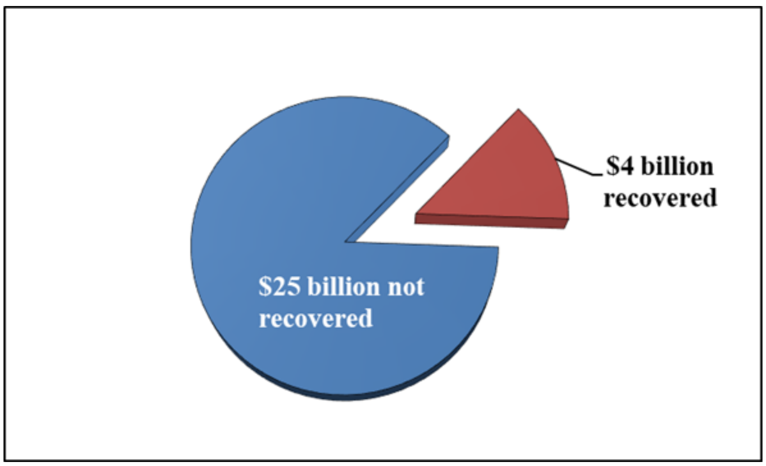
The CDR is a tool for reducing improper payments. Through completed CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. SSA estimated that, over the next 10 years, CDRs conducted in FY 2019 will yield, on average, net Federal program savings of roughly $9 per $1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare, and Medicaid effects.

According to SSA, SSI non-medical redeterminations, which are periodic reviews of such non-medical eligibility factors as income and resources, are another important program integrity tool. SSA estimated that, over 10 years, non-medical redeterminations conducted in FY 2019 will yield, on average, a return on investment of about $4 of net Federal program savings per $1 budgeted for dedicated program integrity funding, including SSI and Medicaid program effects. However, according to SSA, budgetary constraints determine how many redeterminations it conducts each year.

RECOVERY

Once SSA determines it has overpaid an individual, it attempts to recover the overpayment. According to SSA, in FY 2019, it recovered over $4 billion in overpayments at an administrative cost of $0.06 for every dollar collected and ended the FY with a $25-billion uncollected overpayment balance. See Figure 3.

Figure 3: Overpayments Recovered – FY 2019



Source: SSA's FY 2019 Agency Financial Report

To collect debt related to overpayments, SSA uses ". . . internal debt collection techniques ([that is], 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."

AGENCY ACTIONS

SSA is taking actions to address improper payments. As noted above, SSA recovers a portion of overpayments, conducts CDRs and SSI redeterminations, and obtains data from other agencies and third parties to identify and prevent improper payments. In addition, SSA is updating its death reporting system to ensure it is collecting accurate data from national, State, and local agencies as well as from other countries with whom the United States has totalization agreements.

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.

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.

Develop new initiatives to address improper payments.

Key Related Performance Measures

SSA has three strategies in its *Annual Performance Report Fiscal Years 2018 – 2020* to improve payment integrity.

1. Collaborate with partners to address improper payments.
2. Address the root causes of improper payments to prevent their recurrence.
3. Modernize its debt management and debt collection business process.

Additionally, some of the key performance measures related to payment integrity include the following.

- Initiate the data-exchange process with new partners or expand existing data exchanges to improve operational efficiency and reduce improper payments.
- Complete CDRs and SSI non-medical redeterminations.

Key Related Links

Federal Payment Accuracy Website - Payment Accuracy – An Official Website of the United States Government

Office of Management and Budget Circular No. A-123, Memorandum M-18-20, Appendix C, *Requirements for Payment Integrity Improvement*, June 26, 2018

SSA, OIG, Website - Reports related to improving the prevention, detection, and recovery of improper payments

IMPROVE SERVICE DELIVERY

CHALLENGE

SSA faces challenges, including growing workloads as experienced employees are expected to retire, as it pursues its mission to deliver quality service to the public.

SSA's GROWING WORKLOADS

SSA estimates, in FY 2020, it will pay approximately $1 trillion in OASDI benefits to 65 million beneficiaries and $60 billion in SSI payments to 8 million recipients. In addition, SSA expects to process

- 8.7 million OASDI and SSI initial claims;
- 1.6 million appeals for claimants who disagreed with its determination or decision;
- 285 million earnings items posted to workers' records;
- 17 million new and replacement Social Security number (SSN) cards;
- 2.8 million SSI redeterminations and almost 674,000 full medical CDRs; and
- 100 million post-entitlement actions.

The Agency administers its programs and services through its field offices, National 800-Number, and processing centers. In FY 2019, field offices served approximately 43 million visitors, the National 800-Number handled over 33 million calls, and processing centers handled complex Social Security claims as well as supported the National 800-Number.

In an April 2018 audit, we found the pending workload items at SSA's processing centers more than tripled, from approximately 1.1 million at the beginning of FY 2013 to approximately 3.5 million by the end of FY 2016. Work receipts and staffing were among the factors that accounted for the growth in processing center pending workloads, as well as from the sharp decline in overall staff experience. We recommended SSA develop a plan to address the backlog of pending processing center workload items. In April 2018, SSA informed us that its FY 2018 National Processing Center Work Plan would address this recommendation.

IMPOSTOR SCAMS

We have seen a dramatic increase in reports of Social Security-related telephone scams, the most common of which involve callers threatening to arrest individuals unless they pay fines or fees using cash, retail gift cards, or wire transfers. In April 2019, the Federal Trade Commission announced that reports of Social Security employee imposter scams over the past year eclipsed reports of the Internal Revenue Service scam, another prevalent scam, in its peak year. Similarly, we have received more than 450,000 imposter allegations in FY 2019. Although these scams generally do not involve Social Security benefits or programs, they have the potential to decrease the public's trust in SSA, and they hinder the Agency's ability to communicate with its customers.

LOSS OF EXPERIENCED EMPLOYEES AND INSTITUTIONAL EXPERTISE

SSA acknowledges that one of its greatest challenges is the loss of its most experienced employees. SSA expects that more than 10,000 of its almost 61,000 employees will retire within the next 5 years. These retirements, along with regular attrition, will cause a loss of institutional knowledge and potentially impair succession management and knowledge transfer.

SSA also reported that, in FY 2019, about 30 percent of its senior executives and 24 percent of GS-15 employees were eligible to retire. In addition to retirement concerns, resignations increased from 27 percent in 2015 to 30 percent in 2019. Transfers increased from 8 to 15 percent during the same timeframe.

SSA's Vision 2025, *2018-2022 Agency Strategic Plan,* and *2018 Human Capital Operating Plan* indicate that succession planning is critical to its future. By planning for, and taking measures to close, the leadership competency gaps it will face over the coming years, the Agency will be in a better position to ensure a continuity of leadership.

Service Delivery

SSA continues expanding its suite of automated and online service options. Seven of its 8 online applications earned scores of at least 80 out of 100 in the ForeSee E-Government Satisfaction Index. In FY 2019, SSA estimated the public will conduct over 173 million transactions online. As of September 2019, SSA customers had completed approximately 184 million online transactions. In FY 2020, SSA expects this to increase to 194 million.

Approximately 6 million people create a new *my* Social Security account each year; SSA had nearly 46 million registered users at the end of FY 2019. SSA continues to focus on improving the *my* Social Security user experience and adding service options. However, we still have concerns with SSA's online services. In a November 2018 audit, we found the Agency's controls for the *my* Social Security portal had not prevented some individuals from fraudulently establishing accounts or submitting direct deposit transactions. Also, by using those same controls for Internet claims, SSA may not prevent individuals from fraudulently submitting Internet claims applications. SSA stated that, in FY 2020, it will expand *my* Social Security services and strengthen and modernize its methods to authenticate customers' identities and authorize their use of electronic services.

Oversight of the Representative Payment Program

Beneficiaries who cannot manage or direct the management of their benefits depend on representative payees to receive and manage their Social Security benefits. SSA's oversight of the Representative Payment Program is critical to ensuring beneficiaries receive the benefits and services they should. SSA reported in its *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews for Fiscal Year 2018*, the most recent report available, that there were 6 million representative payees managing $70 billion in annual benefits for 8.3 million beneficiaries.

The *Strengthening Protections for Social Security Beneficiaries Act of 2018* (Pub. L. No. 115-165) should improve and strengthen SSA's Representative Payment Program. The Act requires that SSA

- make annual grants to State Protection and Advocacy groups to complete representative payee reviews;
- expand its site reviews to include individual and organizational representative payees based on risk of potential misuse or unsuitability;
- establish a monthly data exchange with State foster care agencies to identify beneficiaries with representative payees whose foster care arrangements have changed;
- study improving data sharing with State adult protective services to determine the need for, and oversight of, representative payees; and
- prohibit individuals convicted of certain crimes from serving as representative payees.

In an August 2018 audit, we found SSA did not always identify and bar convicted felons from serving as individual representative payees. We estimated 396 representative payees received approximately $13.7 million in benefit payments after their barred felony convictions. In addition, SSA had not yet implemented several recommendations from previous audits of its representative payment program. This includes recommendations to ensure it

- records individual representative payees' SSNs in its payment records,
- retains the application for representative payees who do not have SSNs, and

- develops a systems alert to identify when discrepant information is on the Master Beneficiary and Supplemental Security Records.

In January 2019, the Social Security Advisory Board noted that SSA's representative payee monitoring tool did not appear to obtain substantive performance information that would be useful in changing SSA's preference lists for selecting representative payees. The Board also noted that a database on representative payee performance would help SSA identify potential cases of representative payee misuse. Finally, the Board recommended that SSA strengthen its capacity to collect and use all appropriate program data to inform and support decisions about its Representative Payment Program.

Agency Actions

SSA has taken steps to manage its growing workloads and loss of experienced employees. In addition, it is expanding its online services and continuing to manage its Representative Payment Program.

Managing Growing Workloads

SSA's processing centers handle actions that arise after the Agency determines benefit eligibility, and support field and hearing offices. SSA prioritized hiring and overtime in the processing centers, and continues focusing on automation, workflow enhancements, and quality initiatives to improve processing center performance. In FY 2019, SSA's goal was to reduce the number of pending actions to 2.9 million by the end of the FY. However, as of September 2019, there were approximately 4.5 million pending workload items.

The average wait time for all field office visitors (with and without appointments) was 24.9 minutes in FY 2018 and 24.8 minutes in FY 2019. SSA has several initiatives to reduce field office wait times, including the SSAexpress computer station, which allows customers to create and log onto their *my* Social Security accounts to conduct business with SSA, and video service delivery, which allows customers to conduct business by video with SSA employees. In addition, local communities can install an SSA Express Desktop Icon, a specialized SSA.gov shortcut, on their public computers and Websites to increase awareness of SSA's online services and reduce field office visits.

Impostor Scams

To address the workload caused by beneficiaries contacting SSA after being contacted by possible scammers, SSA has partnered with other government agencies and organizations to notify individuals about impersonator scams. For example, it has partnered with the Federal Trade Commission to inform the public on how to avoid being scammed. Additionally, we, the OIG, have taken steps to address this fraud, including contacting major retailers and gift card distributors to discuss point-of-sale consumer education about the phone scams and partnering with other Federal and State law enforcement agencies to leverage resources in conducting investigations related to this scam.

Leadership Development and Succession Planning

SSA recognizes it is accountable for ensuring its employees have the training and technology they need to take timely, quality actions. In addition, SSA recognizes its managers need to understand how to maximize employee performance so SSA can serve the public. SSA's framework for comprehensive human capital management includes three major focus areas: workforce management, succession management, and performance management. Leadership development continues to be an imperative, both in terms of helping current leaders meet demands of the modern workplace and equipping next-in-line leaders to assume crucial responsibilities.

In 2019, SSA launched a redesigned national leadership development program that replaced previous programs and should link leadership development and succession planning. This should also ensure a continuity of trained leaders ready to fill critical positions. SSA also plans to expand developmental opportunities beyond component-based programs and strengthen core foundational competencies that support leadership. For FY 2020, SSA's goal is to reduce competency gaps among leadership development program graduates by at least 90 percent.

Online Services

SSA has several proposals to improve online services and its automated services. It also plans to continue investing in its staff to improve frontline service and reduce hearings and processing center backlogs.

SSA continues strengthening the security of its online services. SSA is improving its ability to prevent fraudulent activity associated with Internet claims. In FY 2019, SSA improved authentication controls for access to electronic services. For example, the Agency improved and expanded secure access to the electronic folder for medical experts, vocational experts, and appointed representatives, and enhanced existing security controls for account registration and password management for online services.

SSA continues to expand its *Internet Social Security Number Replacement Card* for individuals to request replacement SSN cards. In FY 2019, SSA added eight States, making this option available in 40 States and the District of Columbia.

In FY 2019, SSA acquired 139 video units, which it will place in its field offices, State DDSs, and in third-party sites. In addition, SSA relocated underused video units, added nine new Representative Video Project sites, and collaborated with the Department of Veterans Affairs to conduct video hearings for veterans and their families. In FY 2018, 179,315 hearings (29 percent of all hearings) were held by video. In FY 2019, 183,549 hearings, 30 percent of all hearings, were held by video.

Representative Payment Program

SSA reports beneficiaries who need representative payees are of particular concern because of their vulnerability. In its *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews for Fiscal Year 2018*, SSA reported its reviews found the majority of representative payees was properly using beneficiaries' funds. SSA also reported it made determinations of misuse totaling over $1 million and identified an additional $3.5 million in suspected misused funds. As a result of the reviews, the Agency removed 139 representative payees and either appointed new representative payees or determined beneficiaries were capable of managing their own benefits.

The *Strengthening Protections for Social Security Beneficiaries Act of 2018* requires that SSA make annual grants, in an amount no less than $25 million, directly to State Protection and Advocacy groups to conduct site reviews of representative payees. As of September 2019, Protection and Advocacy groups had finished 1,168 of the required reviews.

SSA established a monthly data exchange with State foster care agencies as mandated by the *Strengthening Protections for Social Security Beneficiaries Act of 2018*. SSA is also working with States to secure Information Exchange Agreements to provide State foster care information to SSA. As of September 2019, SSA has Information Exchange Agreements with 26 States.

The *Strengthening Protections for Social Security Beneficiaries Act of 2018* requires that SSA test the feasibility of improving information sharing with State agencies that provide adult protective services. To accomplish this, SSA created a questionnaire to assess the data available from each State and determine whether the State is willing to share the data collected. SSA does not track nor report changes of representative payee or capability determinations specifically caused by abuse, neglect, and/or financial exploitation.

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 growing workloads, loss of institutional knowledge, and an increase in online transactions.

Implement the changes brought forth in the *Strengthening Protections for Social Security Beneficiaries Act of 2018*.

Key Related Performance Measures

Some of the key performance measures from SSA's revised FY 2018 *Annual Performance Plan* related to this challenge are listed below.

- Increase the number of successfully completed online transactions.
- Maintain customer satisfaction with SSA's online services above ForeSee's Threshold of Excellence.
- Improve customer service in the hearings process by prioritizing those individuals who have waited the longest for a hearing decision.
- Improve customer service by reducing the number of actions pending at the processing centers.
- Enhance the leadership pipeline through a modernized national leadership development program.

Key Related Links

SSA Strategic Plan - *Agency Strategic Plan Fiscal Years 2018-2022*

SSA Annual Performance Plan - *Annual Performance Plan for Fiscal Year 2020, Revised Performance Plan for Fiscal Year 2019, and Annual Performance Report for Fiscal Year 2018*

SSA Annual Report - *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews for Fiscal Year 2018*

SSA Budget Overview - *FY 2020 Budget Overview*

OIG Report - *The Social Security Administration's Application of Due-process Provisions for Old-Age, Survivors and Disability Insurance Overpayments* (A-07-18-50622), March 2019

OIG Report - *Follow-up on Deceased Representative Payees* (A-01-18-50350), July 2019

OIG Report - *U.S. Veteran Disability Claims Processing Time* (A-15-17-50227), July 2019

SSA, OIG Website - Reports related to improving service delivery

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 every individual with an SSN 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 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. As SSA expands its services and systems, it is important that it implement security during the development process.

INFORMATION SECURITY PROGRAM

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

In the most recent report for the *Federal Information Security Modernization Act of 2014* (FISMA) (Pub. L. No. 113-283), Grant Thornton LLP determined that SSA had established an Agency-wide information security program. However, Grant Thornton 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, data protection and privacy, security training, information security continuous monitoring, incident response, and contingency planning—are consistent with those cited in our prior FISMA reports.

SECURING ONLINE SERVICES

For systems that promote public access, agencies must ensure that identity proofing, registration, and authentication processes provide assurance of identity consistent with security and privacy requirements, in accordance with Executive Order 13681, Office of Management and Budget policy, and National Institute of Standards and Technology standards and guidelines. Pursuant to Executive Order 13681, *Improving the Security of Consumer Financial Transactions,* agencies that make personal data accessible to citizens through digital applications shall require multiple factors of authentication and an effective identity-proofing process, as appropriate. 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.

In September 2018, SSA released security enhancements to iClaim. 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 it. To ensure citizens' sensitive information is adequately protected, we believe the Agency needs to implement security controls that meet Federal requirements and ensure individuals applying for benefits are who they claim to be.

PROTECTING THE SSN

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. The SSN is relied upon as an identifier and is valuable as an illegal commodity. Accuracy in recording workers' earnings is critical because SSA calculates benefit payments based on the earnings an individual accumulates over his/her lifetime. 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 responsibilities. In FY 2019, SSA issued over 17 million original and replacement SSN cards. In addition, the Agency processed approximately 288 million wage items in FY 2019.

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 (OIS) has continued implementing its Cybersecurity Strategic and Tactical plans, which include many strategies and initiatives to address IT and cyber-security challenges. In 2019, OIS developed and published its Cyber Risk Management Strategy that includes the processes, criteria, and responsibilities for information security risk acceptance decisions. In alignment with the Cybersecurity Strategic Plan, the Strategy includes the OIS risk management framework process and documents how OIS defines its risk appetite, tolerance, and scoring. However, OIS is still implementing the strategy.

In addition, to remediate prior-year risk management findings, SSA is implementing a strategy to revise system boundaries, control inheritance, and transition to on-going authorization as the Agency acquires and implements a Governance, Risk, and Compliance tool. As part of this effort, SSA redefined its common control structure. SSA defines its common controls as those that provide a security or privacy capability for multiple systems. SSA has completed assessments of common controls provided by its data centers and has plans to assess the remaining common controls.

SECURING ONLINE SERVICES

In September 2016, we recommended SSA strengthen controls over access to *my Social Security* to ensure citizens' sensitive information is adequately protected. SSA has made several enhancements to the authentication process since our September 2016 report. According to SSA, these changes will allow it to move toward compliance with National Institute of Standards and Technology Special Publication 800-63-3, *Digital Identity Guidelines*. SSA has also taken steps to increase its ability to detect potentially fraudulent benefit claims online. In September 2018, SSA introduced new controls for iClaim that it expects will help prevent fraud.

PROTECTING THE SSN

SSA has taken steps to automate its enumeration process. For example, SSA released the Internet-based Social Security Number Replacement Card application in November 2015. This will allow certain individuals to obtain a replacement SSN card online without the need to visit an SSA office, ultimately reducing the number of replacement card requests in field offices and Social Security Card Centers. In FYs 2016 through 2019, SSA issued approximately 2.8 million SSN replacement cards through the Social Security Number Replacement Card application. While we believe this may enhance customer service, SSA must ensure it takes all necessary steps to minimize the risk of individuals fraudulently obtaining SSN replacement cards.

SSA's programs depend on earnings information when they determine whether an individual is eligible for benefits and calculate their payment amounts. 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 amounts. SSA shares incorrect names/SSNs with employers when they submit their wage file to the Agency. Additionally, in March 2019, SSA resumed sending revised Educational Correspondence letters to employers whenever at least one name or SSN submitted on their employee's Forms W-2 could not be matched to SSA records. The letter includes instructions for viewing these no-matches online and how to correct them.

The Earnings Suspense File is the Agency's record of wage reports on which wage earners' names and SSNs fail to match SSA's records. The Earnings Suspense File has accumulated over $1.7 trillion in wages and 375 million wage items for Tax Years 1937 through 2018. In Tax Year 2018 alone, SSA posted approximately 8.6 million wage items, representing $101 billion in wages, to the Earnings Suspense File.

SSA has taken steps to reduce the Earnings Suspense File's size and growth. The Agency allows employers to verify their employees' names and SSNs using the Agency's online SSN Verification Service before reporting wages to SSA. The number of verification transactions processed by the SSN Verification Service increased from 121.5 million in 2014 to 179.4 million in 2018. As of September 30, 2019, approximately 56,000 registered employers had submitted approximately 186.3 million verifications.

SSA also supports the Department of Homeland Security's E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. According to the Department of Homeland Security, approximately 891,000 employers had enrolled to use E-Verify as of September 30, 2019. According to the latest data available, in the first 3 quarters of FY 2019, the Department of Homeland Security processed 28 million E-Verify cases, of which 362,000 (1.29 percent) received a not authorized to work response.

While SSA cannot control all the factors associated with erroneous wage reports, it can improve wage reporting by informing employers about potential SSN misuse cases, identifying and resolving employer reporting problems, encouraging greater use of the Agency's SSN Verification Service, and enhancing SSN verification feedback to provide employers with sufficient information on potential employee issues.

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 and comply with Federal security requirements.

Continue to be vigilant in protecting SSNs. We remain concerned that some government and non-government organizations unnecessarily collect and use SSNs as a primary identifier. We also 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 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 performance measures from SSA's revised FY 2019 *Annual Performance Plan* related to this challenge are listed below.

- Maintain an effective cybersecurity program.
- SSNs completed.
- Annual earnings items completed.
- Social Security Statements issued.

Key Related Links

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

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

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

OIG Report - *Removal of Self-employment Income and the Impact on Social Security Benefits* (A-03-16-50102), February 2018

OIG Report - *Implementation of the Internet Social Security Number Replacement Card Project* (Limited Distribution) (A-08-17-50241), July 2018

OIG Report - *The Social Security Administration's Comprehensive Integrity Review Process* (Limited Distribution) (A-14-17-50097), September 2018

OIG Report - *The Social Security Administration's Information Security Program and Practices for Fiscal Year 2018* (Limited Distribution) (A-14-18-50505), October 2018

OIG Report - *Verifying the Identities of Individuals Who File Internet Claims* (Limited Distribution) (A-14-18-50640), November 2018

OIG Report - *Security of the Social Security Administration's Cloud Environment* (Limited Distribution) (A-14-18-50498), August 2019

SSA, OIG Website - Reports related to securing information systems and protecting sensitive data

Modernize Information Technology

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 daily 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, these legacy systems are not sustainable.

SSA reports that 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 computing enables convenient, on-demand access to shared computing resources, including networks, servers, storage, applications, and services. In the cloud environment, IT resources are available to users as needed. SSA has implemented an on-site-private cloud that is housed in the two data centers it uses for systems development.

As of September 2019, SSA deployed its on-site-private cloud environment and 30 systems in external cloud environments hosted by 16 cloud service providers. Seventeen of these systems collect, process, maintain, transfer, or store sensitive information, such as program data, personally identifiable information, and information on employees.

Development and Implementation of Electronic Services

SSA launched *my* Social Security in 2012 and, through September 2019, more than 45 million customers had created accounts. According to SSA, in FY 2019, customers completed over 184 million transactions using the Agency's Website. Further, SSA indicated that nearly half of all Social Security retirement and disability applications were filed online. Still, the Agency saw about 43 million visitors in its field offices and handled about 33 million calls to its National 800-Number.

To reduce unnecessary field office visits by the public, 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 about 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 implemented myWageReport, which allows users to report wages electronically on computers, mobile devices, and smartphones. In FY 2019, SSA also expanded *my* Social Security services available to representative payees and created an option for registered users to opt out of receiving paper notices as they become available electronically. In FY 2020, SSA plans to continue to expand *my* Social Security services, and to take steps to strengthen and modernize its methods to authenticate its customers' identities and authorize their use of electronic services.

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

SSA is developing the Disability Case Processing System (DCPS) as a common case processing system for DDSs. The Agency expects DCPS 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 using an agile approach to develop and deploy DCPS. In December 2016, the Agency released its first working software to three DDSs, enabling them to process certain disability claims in the new system. Since 2016, the Agency has developed and implemented new releases that have provided additional functionality and had made the system available to users in 31 DDSs as of September 2019.

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, we have completed nine reviews of the DCPS project and will release our 10th review in FY 2020. SSA's goal is for the DDSs to transition from their existing case processing systems 9 to 12 months after the DDS deploys DCPS or 9 to 12 months after October 1, 2019, whichever is later. SSA estimated its DCPS costs through FY 2022 would be approximately $178 million. However, the Agency still needs to develop functionality and implement DCPS in the remaining DDSs.

Further, until DDSs transfer fully to DCPS, they will continue incurring costs to operate and maintain their existing systems. According to the Agency, it costs approximately $31 million, annually, to operate and maintain the existing systems. In FY 2019, two DDSs transitioned claims processing to DCPS and discontinued contracts for their existing legacy systems. Cost savings are projected as additional DDSs discontinue existing legacy system contractual expenditures.

Agency Cloud Initiative

The Agency Cloud Initiative is a cross-component project within the Office of Systems that will provide on-premises and public cloud infrastructures, platforms, and applications/services to meet the Agency's service delivery and business operations requirements. SSA's traditional infrastructure was augmented with on-premises cloud services, which it 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.

IT Investment Process

Although SSA generally was able to verify and compare costs, functionality impact, and other areas in its post-implementation review reports, it could not quantify the benefits or calculate the return on investment for all the projects covered by those reports.

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.

In October 2017, SSA published and began implementing its IT Modernization Plan. In FY 2018, SSA focused on improving the high-priority capabilities in its core business systems. In FY 2019, SSA delivered OASDI Cost of Living Adjustment Notices online and removed over 3,000 lines of code to improve the timely posting of deaths to the Agency databases.

Development and Implementation of Electronic Services

SSA continued expanding the availability of its online application process for Social Security number replacement cards to other States in FY 2019, with the total number of States at 40, plus the District of Columbia. The Agency also enhanced online capabilities for claimants and appointed representatives to file appeals. SSA expanded the option for *my* Social Security users to receive help from an employee via live chat to 30 percent of users.

Implementation of Major IT Projects

DCPS

In FY 2019, SSA rolled out DCPS to 19 States, for a total of 31 DDSs. The Agency also added increased functionality, including the ability to process continuing disability reviews for adults and children. In FY 2020, SSA plans to roll out DCPS to more DDSs and to add more functionality, including the ability to interact with more State's fiscal systems.

Cloud Technology

As SSA implements cloud technology, it expects to receive further flexibility to allocate systems resources to meet changing demands. At the end of FY 2018, the Agency deployed its On-Premise cloud. In FY 2020, the Agency plans to migrate 50 percent of Agency email to the cloud platform.

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 meets 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.

SSA has established policy and procedures for post-implementation reviews and has been performing post-implementation reviews for selected projects. During the post-implementation review, SSA compares actual costs, benefits, schedule, and identified risks to the original project estimates to assess the IT investment's performance and identify areas for improvement.

What the Agency Needs To Do

Prioritize IT modernization activities to ensure available resources lead to improvements with the greatest impact on SSA's operations and the service it provides the public.

Ensure its IT planning and investment control processes are effective.

Key Related Performance Measures

Some of the key performance measures from SSA's revised FY 2019 *Annual Performance Plan* related to this challenge are listed below.

- Increase the number of successfully completed online transactions.
- Maintain customer satisfaction with online services.
- Modernize databases, replacing and retiring outdated technology and design.
- Continue modernizing the IT infrastructure.
- Modernize customer communications infrastructure.

Key Related Links

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 - *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: Contractor's Market Research and Analysis for the Disability Case Processing System* (A-14-18-50506), February 2018

OIG Report - *Congressional Response Report: Progress in Developing the Disability Case Processing System as of February 2018* (A-14-17-50291), March 2018

OIG Report - *Congressional Response Report: Use of the Disability Case Processing System as of May 2018* (A-14-18-50631), July 2018

OIG Report - *Security of the Social Security Administration's Cloud Environment* (Limited Distribution) (A-14-18-50498), September 2019

SSA, OIG Website - Reports related to modernizing IT infrastructure

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
Conformance with Federal Financial Management System Requirements (FMFIA Section 4)						
Statement of Assurance	Federal Systems conform to financial management system requirements					
Non-Conformances	**Beginning Balance**	**New**	**Resolved**	**Consolidated**	**Reassessed**	**Ending Balance**
Total Non-Conformances	0	0	0	0	0	0

Compliance with Section 803(a) of the Federal Financial Management Improvement Act		
	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. United States Standard General Ledger 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) 2015 through FY 2019.

Quality Assurance Reviews Table

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	97.7%	97.6%	97.4%	97.3%	97.2%
Number of cases reviewed	29,360	33,010	34,198	32,286	34,915
Number of cases returned to the DDS offices due to error or inadequate documentation	663	796	898	857	967

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 2015 through FY 2019.

DI Pre-Effectuation Reviews Table

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	96.4%	95.8%	95.8%	95.5%	95.3%
Number of cases reviewed	293,015	300,440	278,796	255,200	266,474
Number of cases returned to the DDS offices due to error or inadequate documentation	10,647	12,758	11,811	11,585	12,641

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 2015 through FY 2019.

SSI Pre-Effectuation Reviews Table

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Percent of State DDS decisions to allow not returned to the DDS offices for correction	97.1%	96.9%	96.9%	96.7%	96.5%
Number of cases reviewed	104,808	112,875	106,777	98,540	105,729
Number of cases returned to the DDS offices due to error or inadequate documentation	2,988	3,508	3,288	3,297	3,734

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 2015 through FY 2019.

CDR Accuracy Table

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Overall accuracy	96.7%	97.1%	96.7%	96.9%	96.7%
Continuance accuracy	97.3%	97.8%	97.6%	98.0%	97.9%
Cessation accuracy	95.0%	94.9%	93.5%	92.9%	92.0%

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 2015 through FY 2018. Data for FY 2019 is not available at this time. We will report the FY 2019 data in our FY 2020 *Agency Financial Report*.

OASDI Accuracy Table

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Overpayment accuracy	99.6%	99.8%	99.4%	99.8%	Data not yet available
Underpayment accuracy	99.9%	99.9%	99.9%	99.9%	Data not yet available

SSI Accuracy Table

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Overpayment accuracy	93.9%	92.4%	92.7%	91.8%	Data not yet available
Underpayment accuracy	98.6%	98.8%	98.9%	98.5%	Data not yet available

SSI Redeterminations

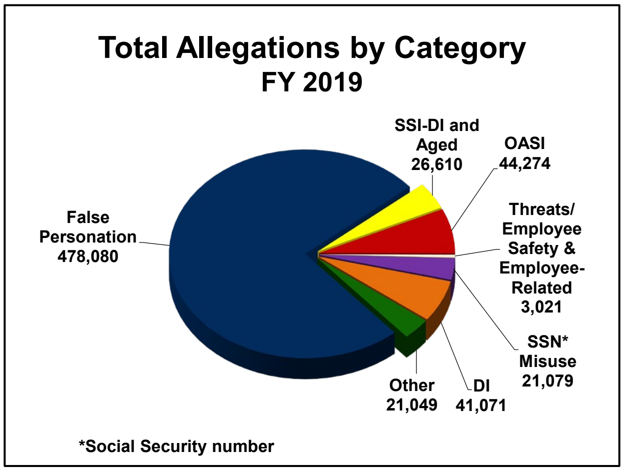
SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2014 through FY 2018.

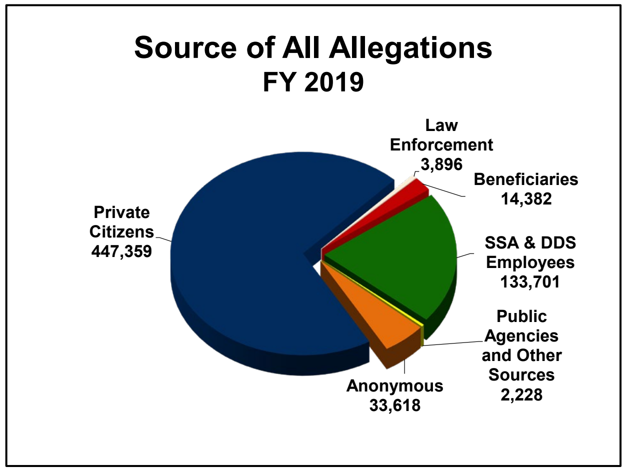
SSI Redeterminations Table
(In Millions)

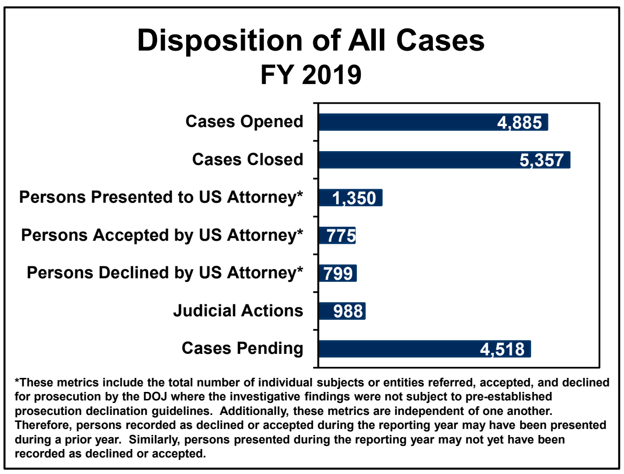
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Number of redeterminations completed	2.267	2.530	2.590	2.913	2.667

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

In FY 2019, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice (DOJ), 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. Due in part to a widespread telephone scam involving the agency, OIG received a substantially higher volume of allegations during FY 2019. The following charts provide information from our OIG concerning fraud.







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 progress in improving 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 include our progress in implementing:

- Financial and administrative controls established pursuant to the FRDAA;

- The fraud risk principle 8 in the Government Accountability Office's (GAO), *Standards for Internal Control in the Federal Government*; and
- OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, with respect to leading practices for managing fraud.

The report must also include information on the agency's progress in identifying risk and vulnerabilities to fraud, including with respect to payroll, beneficiary payments, grants, large contracts, and purchase and travel cards, as well as steps to curb fraud.

Our Anti-Fraud Efforts

Under the Office of Analytics, Review, and Oversight, our anti-fraud program continues to mature. We have demonstrated our commitment to combatting fraud by building an organizational culture and structure conducive to fraud risk management based on guidance from GAO's, *A Framework for Managing Fraud Risks in Federal Programs* (Framework). In FY 2015, we created the Office of Anti-Fraud Programs (OAFP) to serve as the focal point for our fraud risk management activities. At the same time, we re-established the National Anti-Fraud Committee (NAFC). Composed of the agency's senior leadership, NAFC provides a forum for collaboration and strategic oversight of fraud challenges and solutions. Together, OAFP and the NAFC provide robust structure and leadership to address our fraud risks.

In FY 2019, we approved our *Anti-Fraud Strategic Plan for FYs 2019–2021*. This plan aligns with the *Agency Strategic Plan* and outlines goals and objectives to enhance and expand anti-fraud activities and initiatives. The plan includes three major goals:

- Enhance our fraud risk management culture;
- Strengthen our programs through assessment and monitoring; and
- Conduct outreach and ongoing communication of our anti-fraud efforts.

In FY 2019, we continued our annual National Anti-Fraud Training (NAFT), which is mandatory for all agency and State DDS employees. The NAFT informs employees about the agency's current efforts to prevent, detect, deter, and mitigate fraud. It also serves as a reminder of our commitment to ensure consistent compliance with fraud policies and procedures, and encourages employees to remain vigilant in identifying potential fraud. By providing consistent anti-fraud training, we demonstrate our commitment to an anti-fraud tone that permeates our organizational culture. The FY 2019 NAFT's theme was, "Your Role in Preventing Fraud."

Other anti-fraud efforts include:

- Continuing the expansion of Cooperative Disability Investigations (CDI) units;
- Reviewing potential fraud cases in centralized Fraud Prevention Units (FPU) and the Special Review Cadre (SRC) in the Office of Hearings Operations;
- Publishing new policy for anomalous iClaims prevention efforts;
- Increasing recovery efforts for funds lost due to fraud;
- Continuing efforts to prevent fraudulent redirection of direct deposits; and
- Enhancing our data-analytic capabilities to detect potential fraud.

FRAUD REDUCTION AND DATA ANALYTICS ACT REPORTING REQUIREMENTS

IMPLEMENTING FINANCIAL AND ADMINISTRATIVE CONTROLS

Principle 8 in GAO's, *Standards for Internal Control in the Federal Government,* directs agencies to adhere to leading practices for managing fraud risks. We have a strong history of implementing controls that deter, detect, mitigate, and prevent fraud.

In the last several years, we have expanded the use of data analytics to enhance our ability to detect fraud in our programs. For example, in FY 2018, our data analytics, combined with the administrative controls built into our iClaims process, helped us identify potentially fraudulent iClaims and abate 95 percent of those claims before they were processed and payments were issued. By proactively identifying and preventing these fraudulent claims, we estimate avoided losses of more than $400 million in FY 2018.[1]

We continue to refine and mature our analytics programs, helping us proactively detect potential fraud. We use the information from our current analytics to refine existing analytical models, improving model accuracy and efficiency. We also test new analytics theories to identify options for new analytical models. In FY 2018, we deployed a new analytical model to detect potentially fraudulent disability claims, and we are using the results of that model to develop ideas for other analytical models related to disability fraud. The exploratory nature of this work means that not all new models will prove to be viable, but the lessons learned from developing and testing these models will further enhance our knowledge and ability to develop additional model theories for testing.

Many administrative and financial controls are already in place to detect, deter, and mitigate specific fraud risks within our programs, and we are documenting those specific controls in the fraud risk assessments we are currently conducting. We have also implemented broader controls that apply to several agency programs. Examples include:

- CDI Units: CDI units are joint efforts among SSA, OIG, and various State agencies to investigate potential fraud in the Title II and Title XVI disability programs. According to OIG, CDI units contributed more than $580 million to agency savings over the last 3 fiscal years. At the conclusion of FY 2019, the CDI program consists of 46 units covering 40 States, Washington, DC, the Commonwealth of Puerto Rico, Guam, American Samoa, Northern Mariana Islands, and the U.S. Virgin Islands. In FY 2020, we plan to add four additional CDI units in Nebraska, New Hampshire, Nevada, and Wyoming. We plan to provide nationwide CDI coverage by the end of FY 2022.
- FPUs: FPUs are a national resource that enhance our capacity to provide expert programmatic support to disability fraud investigations.
- SRCs: When OIG refers a cluster of cases where there is a reason to believe that fraud or similar fault is involved, the SRC reviews and re-determines the identified hearing-level cases, consistent with the facts presented in the OIG referral, Office of the General Counsel advice, applicable laws, and agency policy.
- Sanctions: Administrative sanctions are penalties for making false or misleading statements, or withholding material information in certain circumstances. Penalties are nonpayment of benefits for specified periods.
- 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*

[1] FY 2019 data and figures for estimated avoided losses were not available at time of publication; however, they will be available at the beginning of calendar year 2020.

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.

Identifying Risks and Vulnerabilities to Fraud

The GAO Framework provides leading practices for managing fraud risks. Central to this framework is the requirement to "plan regular fraud risk assessments and assess risks to determine a fraud risk profile." In FY 2018, we completed our first fraud risk assessment, which was focused on the disability program. In FY 2019, we developed a plan with specific mitigation strategies to reduce several risks identified in that first fraud risk assessment.

Based on our experience and the lessons learned from the first fraud risk assessment, NAFC approved the Enterprise Fraud Risk Management (EFRM) strategy in FY 2019. This strategy establishes a business process and long-term schedule for completing fraud risk assessments across our major program areas. The EFRM strategy ensures we will meet the requirements of FRDAA by incorporating leading practices for managing fraud risks established in the GAO Framework.

Our EFRM strategy also ensures we identify fraud risks and necessary financial and administrative controls as required by OMB Circular No. A-123.

- Our Administrative Areas Fraud Risk Assessment completed in FY 2019 assesses fraud risks and controls related to payroll, grants, contracts, and purchase and travel cards.
- Our eServices Fraud Risk Assessment completed in FY 2019 assesses fraud risks and controls related to key information technology.
- Our Disability Fraud Risk Assessment, completed in FY 2018, as well as future fraud risk assessments for Representative Payees, Title II, and Title XVI, assess fraud risks and controls related to program payments.

Each fraud risk assessment, combined with our tailored plans to mitigate specific risks, will form the fraud risk profile for each program area. Once we complete all initial fraud risk assessments, we will conduct regular reassessments of each area at least every three years.

Establishing Steps to Curb Fraud

We continue to take specific steps to improve our ability to curb fraud. In FY 2020, we will launch the Allegation Referral Intake System (ARIS), which will replace the current electronic form (SSA-e8551) used by agency and State DDS employees to report suspected programmatic fraud to the OIG. In addition to providing a modern, streamlined interface, ARIS will provide more structured data, enabling improved analysis of allegation data and provide new opportunities for the agency to respond rapidly and efficiently to allegations of fraud from front-line staff.

We continue to communicate with the public to promote awareness of external fraud schemes involving the agency. Technology has improved fraudsters' ability to impersonate legitimate businesses and Federal agencies, resulting in more people receiving calls from individuals claiming to be from SSA. In FY 2019, we launched a joint Public Service Announcement campaign with the OIG to address this nationwide telephone impersonation scheme. We also provide information on the socialsecurity.gov website about measures individuals can take to prevent fraud, such as being aware of phishing scams, creating a *my* Social Security account, and adding eServices or direct deposit fraud prevention blocks on their accounts.

Consistent with the GAO Framework, we use the results of our fraud risk assessments to develop and implement additional controls to mitigate key risks. Fraud risk assessments allow us to make informed management decisions and strategically allocate resources to address our most significant fraud risks.

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 the imposition of a CMP against anyone who makes any material false statements or representations to the agency or knowingly withholds a material fact from the agency, to obtain or retain benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*. A CMP may also be imposed against representative payees for the wrongful conversion of Social Security payments entrusted to their care. Section 1140 of the *Social Security Act* authorizes the imposition of a CMP 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 agency. Section 1140 also prohibits the reproduction and sale of Social Security publications and forms without the agency's authorization and places restrictions on the charging for services that the agency provides to the public without charge. The Commissioner delegated authority to enforce the agency's CMP program 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" and annual adjustments. 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(a)(1))	1994	2019	01/15/2019	$0-$8,457	SSA/OIG	84 Federal Register 360 (January 2019); (www.federalregister.gov/documents/2019/01/24/2019-00091/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
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(a)(1))	2015	2019	01/15/2019	$0-$7,975	SSA/OIG	84 Federal Register 360 (January 2019); (www.federalregister.gov/documents/2019/01/24/2019-00091/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
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(b)(1))	1988	2019	01/15/2019	$0-$10,519	SSA/OIG	84 Federal Register 360 (January 2019); (www.federalregister.gov/documents/2019/01/24/2019-00091/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)
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(b)(2))	1988	2019	01/15/2019	$0-$52,596	SSA/OIG	84 Federal Register 360 (January 2019); (www.federalregister.gov/documents/2019/01/24/2019-00091/notice-on-penalty-inflation-adjustments-for-civil-monetary-penalties)

Biennial Review of User Fee Charges

Summary of Fees

In FY 2018 and FY 2019, we earned $281 million and $299 million in user fees, respectively. This revenue accounted for less than one percent of our total financing sources. We derive over 72 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 2019, we charged a fee of $12.21 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $12.41 for FY 2020. 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 2018 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2016. We are planning to perform another review of these fees during FY 2020.

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 calls 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 Reduce the Footprint guidelines, we developed and implemented a *Real Property Efficiency Plan* to guide the agency in its 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.

Reduce the Footprint Policy Baseline Comparison

	FY 2015 Baseline	FY 2018	Change from FY 2015 Baseline[2]	FY 2019	Change from FY 2015 Baseline
Useable square footage	11,701,596	11,261,426	-440,170 or -3.8%	Not Available[1]	Not Available[1]

Note:

1. The agency works with the General Services Administration (GSA) to reconcile Reduce the Footprint useable square footage and it will not be available until the second quarter of FY 2020. We will report the FY 2019 data in our FY 2020 *Agency Financial Report*.
2. The Altmeyer building is currently undergoing renovations and is unoccupied; therefore, GSA removed the building from the agency's portfolio until renovations are complete. If the Altmeyer building had remained in our inventory, our useable square footage reduction would have been 301,498 or 2.6 percent.

The agency does not own or directly lease any buildings in its inventory. Per Federal Management Regulation, Subchapter C, 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.

Operation and Maintenance Cost – Owned and Direct Lease Buildings Table

	FY 2015 Reported Cost	FY 2019	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:

- Optimizing space by identifying and improving the overall utilization rate in new projects;
- Applying revised Space Allocation Standards for office renovations and space actions, including existing and expiring leases; and
- Pursuing field and hearing office collocation opportunities when it makes business sense and does not adversely affect customer service.

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 2019, we recovered approximately $4.076 billion using both our internal and external collection tools. Over the last 5 years (FY 2015 through FY 2019), we have collected a total of $18.549 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 2019, we recovered $3.752 billion using our internal collection tools, which accounted for about 92 percent of our total collections amount. Over the last 5 years (FY 2015 through FY 2019), we have collected a total of $17.466 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.

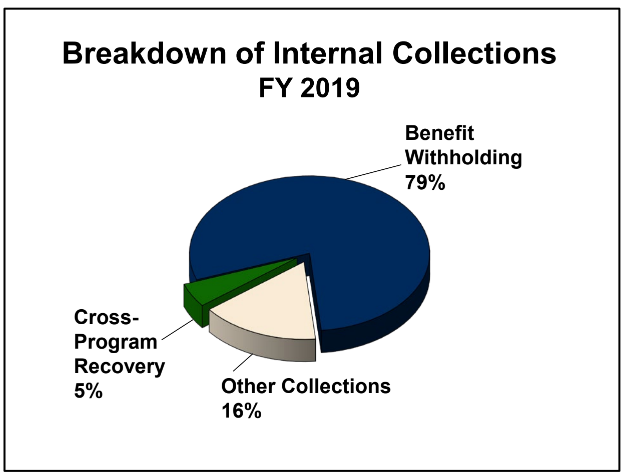
Internal Collections During Fiscal Year 2019
(Dollars in Billions)

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.	$2.084	$0.888	$2.972
Cross-Program Recovery (CPR)	CPR collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments.	$0.029	$0.170	$0.199
Other Collections	These are mostly voluntary payments received because of a notice requesting a refund of an overpayment.	$0.316	$0.265	$0.581
Total Internal Collections	The total amount recovered by utilizing our internal collection tools.	$2.429	$1.323	$3.752

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 2019 $3.752 billion internal collections amount.



EXTERNAL COLLECTIONS

We utilize external collection tools to recover payments of delinquent debt for beneficiaries and recipients **no longer in current pay**. In FY 2019, we recovered $324.029 million using our external collection tools, which accounted for about 8 percent of our total collections amount. Over the last 5 years (FY 2015 through FY 2019), we have collected a total of $1.082 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.

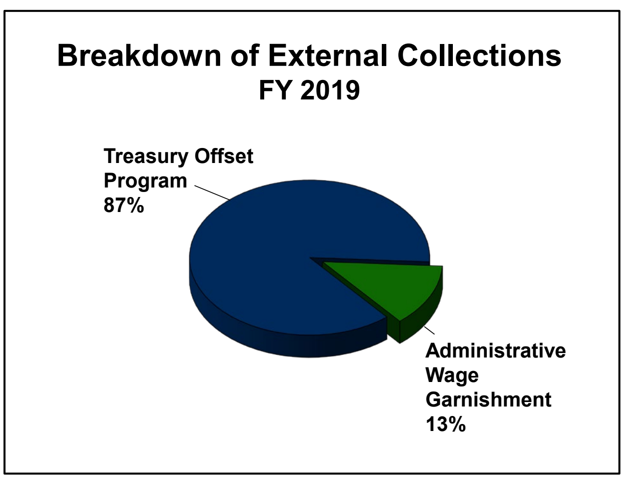
External Collections During Fiscal Year 2019
(Dollars in Billions)

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.	$0.167	$0.116	$0.284
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).	$0.030	$0.010	$0.041
Total External Collections	The total amount recovered by utilizing our external collection tools.	$0.198	$0.126	$0.324

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 2019 $324.029 million external collections amount.



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.

A Title II system design process limitation exists concerning long-term withholding agreements that extend past the year 2049, where the Recovery of Overpayments, Accounting and Reporting system cannot capture and track debt scheduled for collection beyond the year 2049. This limitation is noted in the July 2011 GAO audit report entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." 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 60,400 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 $720 million. This amount is not material to the consolidated financial statements. The 2049 data limitation in our debt management systems will no longer exist with the implementation of the Debt Management Product in FY 2021.

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 2019 Quarterly Debt Management Activities Program and Administrative Table
(Dollars in Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$24,640	$24,731	$25,068	$25,834
New receivables	1,695	3,396	5,339	7,899
Total collections	(1,036)	(2,084)	(3,056)	(4,215)
Adjustments	(297)	(653)	(991)	(1,431)
Total write-offs	(206)	(412)	(708)	(903)
- Waivers	(91)	(192)	(290)	(390)
- Terminations	(115)	(220)	(418)	(513)
Aging schedule of debts:				
- Non delinquent debt	13,576	13,828	14,053	14,445
- Delinquent debt				
- 120 days or less	1,824	1,563	1,624	1,737
- 121 days to 10 years	8,120	8,195	8,215	8,432
- Over 10 years	1,120	1,145	1,176	1,220
- Total delinquent debt	$11,064	$10,903	$11,015	$11,389

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

	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
Total receivables	$19,361	$21,014	$22,644	$24,484	$25,834
New receivables	5,865	6,420	7,602	7,943	7,899
Total collections	(3,692)	(3,604)	(3,888)	(3,992)	(4,215)
Adjustments	(446)	(536)	(1,297)	(1,333)	(1,431)
Total write-offs	(618)	(627)	(787)	(778)	(903)
- Waivers	(342)	(275)	(339)	(329)	(390)
- Terminations	(276)	(352)	(448)	(449)	(513)
Non delinquent debt	12,210	12,984	13,628	14,272	14,445
Total delinquent debt	$7,151	$8,030	$9,016	$10,212	$11,389
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	63.1%	61.8%	60.2%	58.3%	55.9%
- Delinquent	36.9%	38.2%	39.8%	41.7%	44.1%
% of debt estimated to be uncollectible*	24.2%	42.7%	42.6%	43.5%	45.7%
% of debt collected	19.1%	17.2%	17.2%	16.3%	16.3%
% change in collections from prior fiscal year	0.2%	-2.4%	7.9%	2.7%	5.6%
% change in delinquencies from prior fiscal year	12.5%	12.3%	12.3%	13.3%	11.5%
Clearances as a % of total receivables	22.3%	20.1%	20.6%	19.5%	19.8%
- Collections as a % of clearances	85.7%	85.2%	83.2%	83.7%	82.4%
- Write-offs as a % of clearances	14.3%	14.8%	16.8%	16.3%	17.6%
Other Analysis					
Cost to collect $1	$0.07	$0.07	$0.07	$0.07	$0.06
Average number of months to clear receivables:					
- OASI	16	17	15	16	16
- DI	62	55	44	45	45
- SSI	43	42	43	43	49

Note:

1. *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 seriously. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. "Ensure Stewardship" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years* (FY) *2018–2022* (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. 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, we consider the benefits he or she received before improvement to be proper.

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 resulted 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, effective FY 2018, any program with $2 billion in improper payments qualifies as a high-priority program, and agencies must report improper payments in those programs. For FYs 2016–2017, the annual threshold was $750 million. Two of our programs meet OMB's definition of high-priority programs: OASDI and SSI. More information about the improper payments in our high-priority programs for FY 2019 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 Payment Integrity Improvement*, and OMB Circular No. A-136, *Financial Reporting Requirements*. This report provides general information that demonstrates our commitment to reducing improper payments; it also describes our efforts to reduce, recover, and prevent improper payments for our OASDI and SSI benefit programs and our administrative payments.

The President's Management Agenda, released by the White House in March 2018, identifies Cross-Agency Priority (CAP) Goals to target those areas where multiple agencies must collaborate to effect change and report progress in a manner the public can easily track. The CAP Goal entitled, Getting Payments Right, will reduce the amount of monetary loss to the taxpayer through incorrect payments; clarify and streamline reporting and compliance requirements to focus on actions that make a difference; and facilitate our partnership with the States to address improper payments in programs they administer using Federal funds. The information in this report supports the CAP Goal.

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

In FY 2019, we continued aligning our enterprise investments with our improper payments prevention strategies and developed protocols to look at key workloads in more depth to understand better the underlying root causes of error. We collaborated with Federal partners, stakeholders, and beneficiaries to realize our agency Strategic Goal to "Ensure Stewardship," and we continue to focus our efforts on improving program integrity.

We identified the following strategies to accomplish our Strategic Objective, "Improve Program Integrity":

- Collaborate with partners to address improper payments;
- Address the root causes of improper payments to prevent their recurrence; and
- Modernize our debt management and debt collection business processes.

We continually investigate and assess root causes to ensure we focus our improper payment prevention strategies on actions that make a difference and facilitate our partnership with the States to address improper payments.

Based upon our stewardship reviews and other analyses, we identified the leading causes of improper payments and identified workloads on which we plan to focus our resources and improve performance by the end of FY 2020.

We identified the following initiatives to achieve our Strategic Objective:

- Promote timely wage reporting;
- Improve the death reporting system process; and
- Modernize our Debt Management System.

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.

We identified the following four performance measures to help evaluate progress in accomplishing this Strategic Objective:

- Improve the integrity of the SSI program by focusing our efforts on reducing overpayments;
- Maintain a high payment accuracy rate by reducing overpayments in the OASDI program;
- Ensure the quality of our decisions by achieving the State disability determination services (DDS) decisional accuracy rate for initial disability decisions; and
- Modernize our Debt Management System.

In addition, improving the integrity of the SSI program is an Agency Priority Goal for FYs 2019–2020. We provide more information about our performance measures in our *Annual Performance Plan for FYs 2019–2020* (www.socialsecurity.gov/agency/performance).

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 the OASI, DI, OASDI, and SSI programs for FY 2018. 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 by total dollars paid.

Please see Table 1.1 for more details about our improper payment rates for the OASI and DI programs for FYs 2016, 2017, and 2018. Please see Table 1.2 for more details about our improper payment rates for the SSI program for FYs 2016, 2017, and 2018.

Table 1: Improper Payments Experience
FY 2018
(Dollars in Millions)

	OASI	DI	OASDI	SSI	Total
FY 2018 Outlays	$808,695.11	$139,486.69	$948,181.79	$56,976.30	$1,005,158.09
FY 2018 Proper Payment $	$808,033.15	$137,497.38	$945,530.53	$51,447.54	$996,978.06
FY 2018 Proper Payment %	99.92%	98.57%	99.72%	90.30%	99.19%
FY 2018 Improper Payment $	$661.96	$1,989.31	$2,651.27	$5,528.77	$8,180.03
FY 2018 Monetary Loss $	$536.82	$1,679.64	$2,216.45	$4,686.31	$6,902.77
FY 2018 Non-Monetary Loss $	$125.14	$309.67	$434.81	$842.45	$1,277.26
FY 2018 Unknown $	$0	$0	$0	$0	$0
FY 2018 Improper Payment %	0.08%	1.43%	0.28%	9.70%	0.81%
FY 2018 Monetary Loss %	0.07%	1.20%	0.23%	8.23%	0.69%
FY 2018 Non-Monetary Loss %	0.02%	0.22%	0.05%	1.48%	0.13%
FY 2018 Unknown %	0%	0%	0%	0%	0%
FY 2018 Overpayment $	$536.82	$1,679.64	$2,216.45	$4,686.31	$6,902.77
FY 2018 Overpayment %	0.07%	1.20%	0.23%	8.23%	0.69%
FY 2018 Underpayment $	$125.14	$309.67	$434.81	$842.45	$1,277.26
FY 2018 Underpayment %	0.02%	0.22%	0.05%	1.48%	0.13%

Notes:

1. Total OASDI and SSI outlays for FY 2018 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. OASDI and SSI payments come directly from the Federal Government and do not involve third party payers.

OASDI Experience

Over the last 5 years (FYs 2014–2018), based on our stewardship reviews, we estimate that we paid approximately $3.8 trillion to OASI beneficiaries. Of that total, we estimate $8.7 billion were overpayments, representing approximately 0.23 percent of outlays. We estimate that underpayments during this same period were $1.5 billion, the equivalent of approximately 0.04 percent of outlays.

In the DI program, we estimate that we paid $692.8 billion to DI beneficiaries over the last 5 years (FYs 2014–2018). Of that total, we estimate $8.9 billion were overpayments, representing approximately 1.29 percent of outlays. We estimate underpayments during this same period totaled $0.9 billion, the equivalent of approximately 0.13 percent of outlays.

Table 1.1 shows the estimated improper payment rates for the OASI and DI programs for FYs 2016, 2017, and 2018.

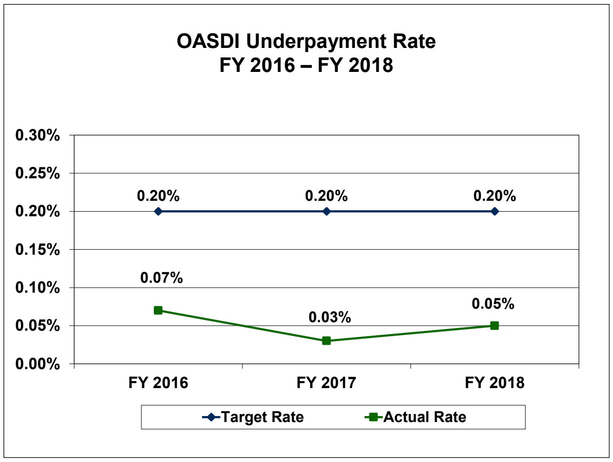
Table 1.1: OASDI Improper Payments Experience FY 2016 – FY 2018 (Dollars in Millions)

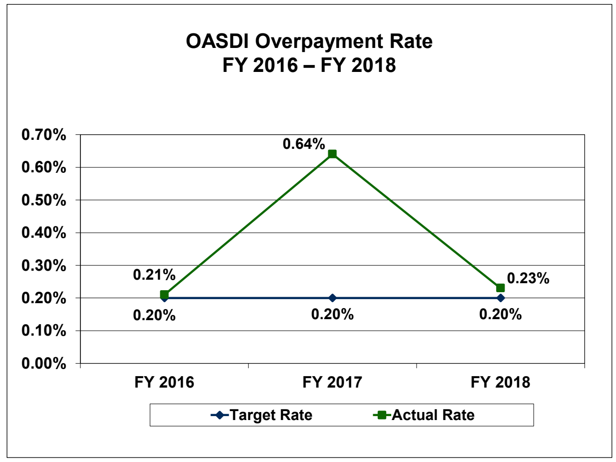
	FY 2016		FY 2017		FY 2018	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	$770,538.77		$780,787.23		$808,695.11	
Underpayment Error	$628.44	0.08%	$98.71	0.01%	$125.14	0.02%
Overpayment Error	$1,210.73	0.16%	$2,458.54	0.31%	$536.82	0.07%
DI						
Total Benefit Payments	$140,661.52		$129,222.32		$139,486.69	
Underpayment Error	$41.62	0.03%	$195.08	0.15%	$309.67	0.22%
Overpayment Error	$697.60	0.50%	$3,405.49	2.64%	$1,679.64	1.20%
Combined OASDI						
Total Benefit Payments	$911,200.29		$910,009.54		$948,181.79	
Underpayment Error	$670.06	0.07%	$293.79	0.03%	$434.81	0.05%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	$1,908.33	0.21%	$5,864.03	0.64%	$2,216.45	0.23%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FYs 2016–2018 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 2019 data will be available in the summer of FY 2020.
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 2016, +0.07 percent and –0.10 percent for underpayments and +0.13 percent and –0.12 percent for overpayments; for FY 2017, +0.01 percent and –0.01 percent for underpayments and +0.30 percent and –0.33 percent for overpayments; and for FY 2018, +0.01 percent and –0.02 percent for underpayments and +0.06 percent and –0.07 percent for overpayments.
6. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2016, +0.02 percent and –0.06 percent for underpayments and +0.49 percent and –0.53 percent for overpayments; for FY 2017, +0.14 percent and –0.27 percent for underpayments and +2.6 percent and –2.6 percent for overpayments; and for FY 2018, +0.21 percent and –0.33 percent for underpayments and +1.19 percent and –1.92 percent for overpayments.
7. OASDI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2016, +0.06 percent and –0.09 percent for underpayments and +0.12 percent and –0.12 percent for overpayments; for FY 2017, +0.02 percent and –0.06 percent for underpayments and +0.36 percent and –0.37 percent for overpayments; and for FY 2018, +0.05 percent and –0.05 percent for underpayments and +0.13 percent and –0.35 percent for overpayments.
8. The change in the OASDI underpayment error rate from FY 2016 to FY 2017 is not statistically significant. The change in the OASDI overpayment error rate from FY 2016 to FY 2017 is statistically significant. Changes in the OASDI error rates from FY 2017 to FY 2018 are not statistically significant.
9. We strive to reduce improper payments within the constraints of statutory and regulatory requirements and available resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. In addition, in this report, we discuss the major causes of our OASDI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to reduce improper payments, outcomes must be significant to affect our error rate. To have an effect on improper payments, for FY 2018 each tenth of a percentage point in payment accuracy represents about $948 million in program outlays for the OASDI program.
10. Our OASDI improper payment target rate of 0.40 percent is a combination of 0.20 percent for OASDI overpayments and 0.20 percent for OASDI underpayments. In FY 2019, we reported an actual OASDI overpayment rate of 0.23 percent (compared to a 0.20 percent target - a variance of 0.03 percent) and an actual OASDI underpayment rate of 0.05 percent (compared to a 0.20 percent target - a variance of 0.15 percent). We use a fixed, aggressive OASDI improper payment target rate of 0.40 percent to better monitor and account for historical fluctuations above and below 0.40 percent because of normal variability when performing statistical analysis to determine the yearly rate. Overall, our OASDI program has very high payment accuracy. The OASDI overpayment and underpayment accuracy rate, both separately and combined, has exceeded 99 percent for a number of years.

The following graphs show our estimated OASDI underpayment and overpayment rates for the last three years.





Substantial Gainful Activity (SGA), [1] Windfall Elimination Provision (WEP), [2] and Government Pension Offset (GPO)[3] errors continue to impact the overall error rates as the leading causes of error. SGA errors primarily occur due to beneficiaries' failure to report work activity. WEP and GPO errors occur due to beneficiaries' failure to report the receipt of or changes in pensions. WEP and GPO errors also occur when we do not take proper action to impose the offset.

SSI Experience

Over the last 5 years (FYs 2014–2018), based on our stewardship reviews, we estimate that we paid approximately $283.3 billion to SSI recipients. Of that total, we estimate $23 billion were overpayments, representing about 8 percent of outlays. We estimate that underpayments during this same period were $4.5 billion, the equivalent of approximately 1.6 percent of outlays.

Table 1.2 shows the estimated improper payment rates for the SSI program for FYs 2016, 2017, and 2018.

[1] A definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html.
[2] A definition of WEP is available at: www.socialsecurity.gov/pubs/EN-05-10045.pdf.
[3] A definition of GPO is available at: www.socialsecurity.gov/pubs/EN-05-10007.pdf.

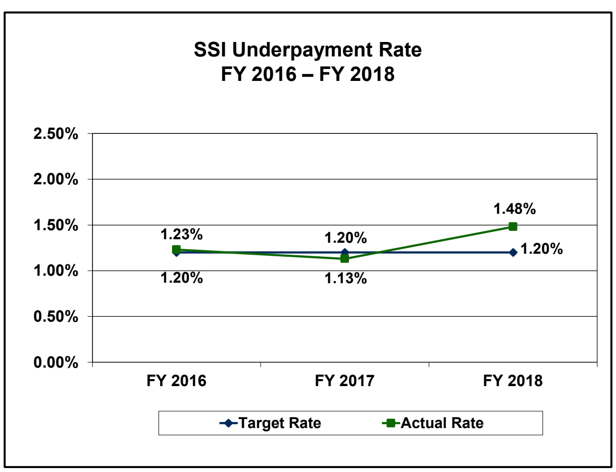
Table 1.2: SSI Improper Payments Experience
FY 2016 – FY 2018
(Dollars in Millions)

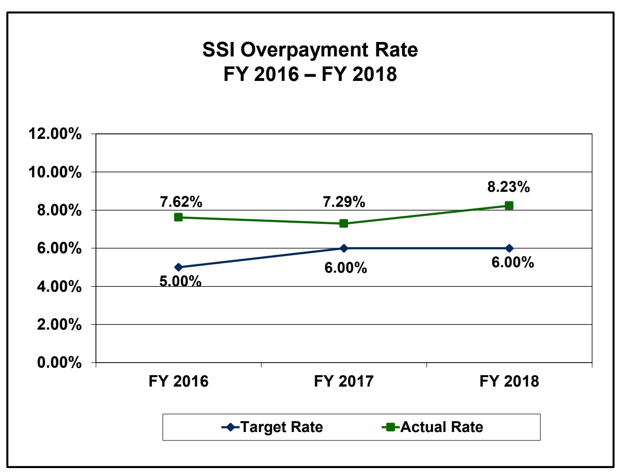
	FY 2016	FY 2017	FY 2018
Total Federally Administered Payments			
Dollars	$56,754.07	$56,495.45	$56,976.30
Underpayments			
Dollars	$696.01	$636.42	$842.45
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.23%	1.13%	1.48%
Overpayments			
Dollars	$4,323.93	$4,121.02	$4,686.31
Target Rate	≤5.00%	≤6.00%	≤6.00%
Actual Rate	7.62%	7.29%	8.23%

Notes:

1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
2. FY 2019 data will be available in the summer of FY 2020.
3. We base the percentages and dollar amounts presented in Table 1.2 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 2016, ±0.31 percent for underpayments and ±1.07 percent for overpayments; for FY 2017, ±0.30 percent for underpayments and ±1.04 percent for overpayments; and for FY 2018, ±0.35 percent for underpayments and ±0.93 percent for overpayments.
5. Please note that year-to-year differences from changes in the SSI overpayment error rates from FY 2016 to FY 2017 are not statistically significant. The changes in the SSI overpayment and underpayment error rates from FY 2017 to FY 2018 are not statistically significant.
6. We strive to reduce improper payments within the constraints of statutory and regulatory requirements and available resources. We also work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. In addition, in this report, we discuss the major causes of our SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to reduce improper payments, outcomes must be significant to affect our error rate. To have an effect on improper payments, for FY 2018, each tenth of a percentage point in payment accuracy represents about $56.9 million in program outlays for the SSI program.

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.

Table 2: Improper Payment Root Cause Category Matrix
FY 2018
(Dollars in Millions)

	OASDI Program			SSI Program		
Reason for Improper Payment	Overpayment		Underpayment	Overpayment		Underpayment
	Monetary Loss Within Agency Control	Monetary Loss Outside Agency Control		Monetary Loss Within Agency Control	Monetary Loss Outside Agency Control	
Program Design or Structural Issue	$0	$0	$0	$0	$0	$0
Inability to Authenticate Eligibility:						
Inability to Access Data	$3.94	$0	$0	$0	$3,972.85	$440.11
Data Needed Does Not Exist	$0	$0	$0	$0	$273.79	$176.16
Failure to Verify:						
Death Data	$0.00	$677.29	$0	$0	$53.03	$0
Financial Data	$0	$0	$0	$49.73	$0	$64.57
Excluded Party Data	$0	$0	$0	$0	$0	$0
Prisoner Data	$47.40	$76.04	$0	$0	$0	$0
Other Eligibility Data	$487.08	$572.81	$283.79	$92.78	$0	$32.66
Administrative or Process Error Made by:						
Federal Agency	$272.33	$79.57	$151.02	$244.13	$0	$128.95
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	$810.74	$1,405.71	$434.81	$386.64	$4,299.67	$842.45

Notes:

1. Data Source: FY 2018 OASDI and SSI stewardship reviews. FY 2019 data will not be available until summer 2020.
2. There may be slight variances in the dollar amounts reported due to rounding of source data.
3. Because the number of death overpayments are small, the estimated amount of error found in our samples varies from year to year.
4. 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.
    - o **Inability to Access Data** – The data needed to authenticate eligibility exists but the agency is unable to access the data prior to making the payment. For our OASDI corrective action related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Potential Entitlements (Table 2.5). 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), Other Real Property (Table 2.13), and Residency (Table 2.15).
    - o **Data Needed Does Not Exist** – No database or dataset currently exists that the agency can use to check eligibility prior to making the payment. For our 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 (ISM) (Table 2.11).
- **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, WEP, and GPO. For SSI, the leading root causes are Living Arrangement and ISM. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; SGA (Table 2.2) and to the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section; WEP and GPO (Table 2.14). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; ISM (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; ISM (Table 2.11).
- **Medical Necessity**– 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:

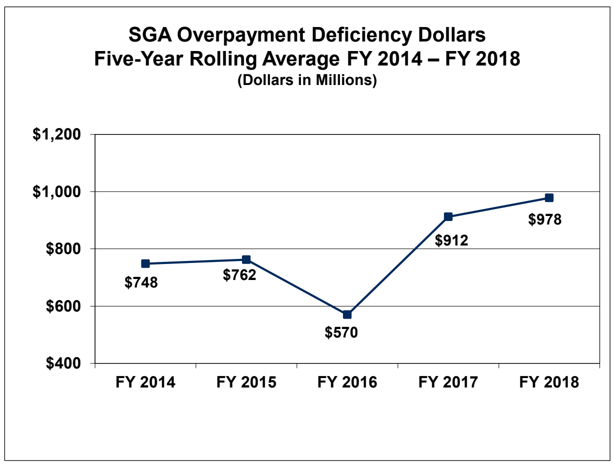


Table 2.1: SGA Overpayment Deficiency Dollars
FY 2014 – FY 2018
(Dollars in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overpayments	$748	$762	$570	$912	$978

Corrective Actions:

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

Table 2.2: SGA – Corrective Actions

Description	Target Completion	Status
Audit Recommendation		
To help 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.	Ongoing	Since November 2015, we released approximately 33,500 cases to our front-line personnel for corrective action and cessation using manual and automated processes. Additionally, we received funding to create automated solutions for preventing errors from occurring in the future. In January 2019, we released 2,821 cases for corrective action and cessation. In September 2019, we released the final phase of the project, which allows technicians to not only track and control medical CDRs at the appeal level, but also verify that the cases have ceased timely. We continue to monitor the previously released cases for completion. This disability cessation workload continues to be a priority for the agency and once fully automated, we expect a significant reduction in improper payments.

Description	Target Completion	Status
Predictive Model		
Improper payments due to work activity result from beneficiaries failing to report earnings timely or our failure to identify/take action on earnings. We can reduce and prevent improper payments and complete work CDRs more efficiently by: • Identifying earnings earlier to reduce the amount of time a beneficiary is overpaid; • Identifying cases that have earnings above SGA and are still in current pay; and • Prioritizing cases that are most likely to end in an SGA cessation. We are targeting work CDRs to address improper payments via the WorkSmart project to increase the efficiency of agency processing, with the goal of reducing average processing times and average overpayments. WorkSmart consists of three parts: Continuing Disability Review Enforcement Operation (CDREO) Predictive Model (annual earnings), Quarterly Earnings Project (quarterly earnings), and Monthly Earnings Pilot (monthly earnings). WorkSmart is data driven and focuses on our three Strategic Goals: 1) Deliver Services Effectively; 2) Improve the Way We Do Business; and 3) Ensure Stewardship. WorkSmart will allow us to address key backlogs, support our frontline staff, and reduce improper payments.	Ongoing	In FY 2019, we identified 60,000 cases in need of a work CDR using the quarterly earnings from the Office of Child Support Enforcement (OCSE) data. We estimate that 80 percent of the completed cases will result in a cessation. In FY 2019, we identified work CDR cases using monthly earnings data from the myWageReport (myWR) and Ticket to Work reports. We identified approximately 20,000 cases in need of a Trial Work Period (TWP) or SGA determination. Of the cases identified, about 4,000 resulted in a SGA cessation. In FY 2019, we engaged in contract negotiations and awarded a contract to build an information exchange for monthly earnings data from third-party payroll data providers under Section 824 of the *Bipartisan Budget Act of 2015*. We will work with systems staff to identify a business process that would enable us to use the monthly earnings obtained from the payroll provider(s) to identify work CDRs.

<table>
<tr><th>Description</th><th>Target Completion</th><th>Status</th></tr>
<tr><td colspan="3"><u>Legislation and Legislative Proposals</u></td></tr>
<tr><td rowspan="4">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.</td><td>Completed FY 2017</td><td>In September 2017, we released the myWR online application, which allows DI beneficiaries and representative payees to report wages to us and provides a receipt for the report that the wage reporter can view, print, and save. DI self-reporters and their representative payees can report wages that occurred within two years of the reporting date.</td></tr>
<tr><td rowspan="3">Completed FY 2018</td><td>In June 2018, we added functionality to myWR that allows SSI and concurrent (SSI and DI) wage reporting. Wage receipts generated by myWR are stored in our online retrieval system. In an effort to increase use of the myWR application, we will continue to promote the online service to beneficiaries, representative payees, and advocacy groups.</td></tr>
<tr><td>In September 2018, we updated our eWork system to send a priority alert to field offices for cases that have SGA earnings and require a work CDR. This alert allows management to quickly assign and monitor these cases and allows us to respond to earnings at the earliest possible point to improve CDR processing times and reduce improper payments.</td></tr>
<tr><td>In FY 2019, we updated the management information systems to track the effectiveness of the new priority alert.</td></tr>
</table>

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 and 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.	To be determined (TBD)	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. In September 2017, we implemented the first phase of Section 824 of the *Bipartisan Budget Act of 2015*, which allows the agency to collect and store authorization from DI and SSI applicants and beneficiaries to obtain their payroll data via the information exchange. Additionally, we made enhancements to the application we use to process wage determinations for DI. The systems enhancements were made originally in support of Section 826 of the *Bipartisan Budget Act of 2015*. However, we made sure those system releases would also support the *Bipartisan Budget Act of 2015,* Section 824 business process. For example, we added help pages and created notifications of earnings discrepancies. In September 2018, we implemented additional enhancements, such as creating alerts to notify employees that wage data indicates the need for a review. For the information exchange under Section 824 of the *Bipartisan Budget Act of 2015*, in FY 2019, we engaged in contract negotiations and awarded a contract to build an information exchange for monthly earnings data from third-party payroll data providers. We will work with systems staff to identify a business process that would enable us to use the monthly earnings obtained from the payroll provider(s) to identify work CDRs. In October 2019, we developed a timeline, and in FY 2020, we will begin planning and integration of the information exchange within our systems.

COMPUTATIONS

Description:

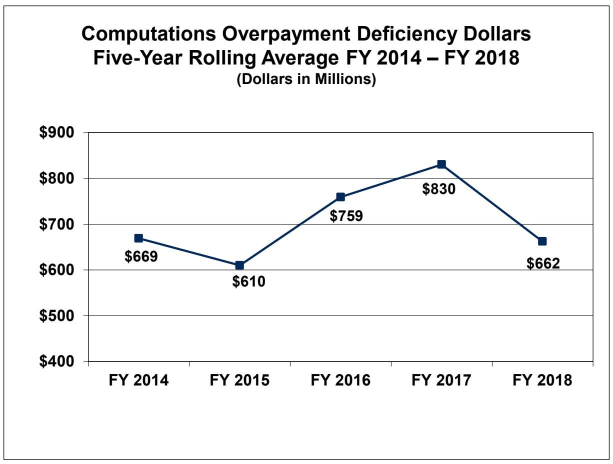
Errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

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 2014–2018, approximately 70 percent of computation error dollars 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 family maximum or FMAX.[4] RIB-LIM applies when a deceased beneficiary would have 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 60 percent of computation error dollars for the 5-year period, while RIB-LIM and FMAX, respectively, accounted for 11 percent and 10 percent of these error dollars.

Historical Figures:

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



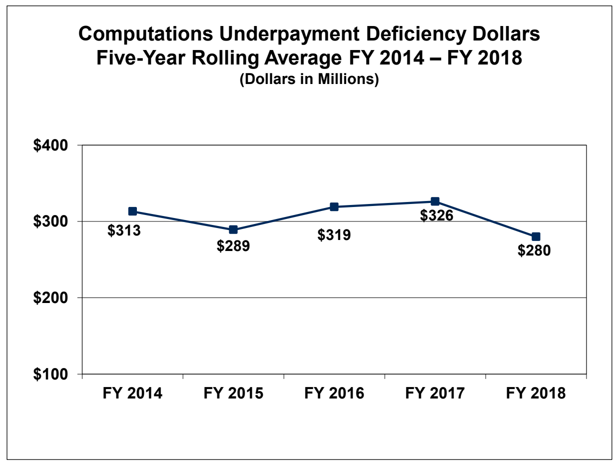


Table 2.3: Computations Deficiency Dollars FY 2014 – FY 2018 (Dollars in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overpayments	$669	$610	$759	$830	$662
Underpayments	$313	$289	$319	$326	$280

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 WorkSmart. The WorkSmart process identifies DI beneficiaries whose earnings put them at risk of being overpaid. 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 can take action earlier to reduce work-related overpayments. WorkSmart 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.

[4] An explanation of FMAX is available at: www.socialsecurity.gov/OACT/COLA/familymax.html.

Our CDR enforcement process alerts records of OASDI and concurrent DI/SSI beneficiaries who may have substantial earnings after disability onset. In FY 2018, we alerted 36,000 cases using quarterly wages, and 86 percent of the completed cases resulted in a cessation of benefits. In FY 2019, we identified 60,000 cases using quarterly wages. We estimate that approximately 80 percent of the completed cases will result in a cessation.

In FY 2019, we identified work CDR cases using monthly earnings data from the myWR and Ticket to Work reports. We identified approximately 20,000 cases in need of a TWP or SGA determination. Of the cases identified, about 4,000 resulted in an SGA cessation.

Continued training to accurately process post-entitlement work is crucial; during FY 2019, we created national processing center (PC) quality refresher training packages for our technicians.

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.	Ongoing	We completed planning and analysis in September 2016. We began updating problematic OASDI system alerts, exceptions, and processing limitation codes with better descriptive definitions in FY 2017. We release updates on an ongoing basis. We meet monthly to discuss and approve the language of the updates.
Review the most problematic overpayment cases completed in our Office of Disability Operations. Our objective is to determine the root causes of overpayment errors and provide recommendations to address improved processing.	Ongoing	This project is ongoing. We began a national PC overpayment study in April 2016. In FY 2016, we focused on overpayments due to disability cessation or extended period of eligibility. We published the report in November 2017. Based on our review, we recommended national use of an automated worksheet that minimizes manual keying and the potential for errors. In FY 2017, we focused on overpayments due to annual retirement test permanent deductions and published the report in November 2018. Based on our review, we recommended issuing reminders to technicians to improve processing. We completed the FY 2018 review of disability overpayments in September 2018 and published the report April 2019. We completed the 2019 review of disability overpayments in August 2019. We will identify findings and recommendations in FY 2020.

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 address in FY 2019. Please see the Corrective Actions in Table 2.5 for a complete list.

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 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.	FY 2019	In FY 2019, key potential entitlement efforts included: • Resuming benefits to 6,365 spouses and children due underpayments because we resumed benefits to the numberholder, but did not resume benefits to the auxiliaries following a termination. We completed these cases in October 2018. We will be evaluating the results of the mailing in FY 2020. • Releasing 10,396 updated outreach notices to Medicare-only beneficiaries who are eligible for retirement benefits, but have not filed an application. We mailed these notices in January 2019. • Processing 27,565 cases involving SSI recipients with possible OASDI eligibility as an auxiliary or survivor on their parents' record. We completed these cases in August 2019.
	FY 2020	In FY 2020, key potential entitlement efforts will include: • Preparing to conduct outreach to notify approximately 20,000 disabled beneficiaries who listed children on their benefit applications, but no application or closeout is present for them, that the children may be due benefits. • Conducting outreach to approximately 9,000 workers who were previously denied retirement benefits due to lack of insured status, but are now insured. • Conducting outreach to approximately 17,000 workers with Medicare Qualified Government Earnings that are eligible for retirement benefits or Medicare coverage that they are not receiving. • Conducting initial analysis on SSI recipients with a potential month of eligibility that does not match the application effective date. • Conducting initial analysis on disabled beneficiaries who converted to retirement benefits at full retirement age and may be eligible for a higher primary insurance amount. • Conducting initial analysis on individuals previously denied childhood disability benefits potentially entitled to benefits as minor children. • Evaluating the June 2018 results of 13,934 cases involving SSI recipients previously established or entitled on a parent's record who may be entitled to child disability benefits.

Major Causes and Corrective Actions for SSI Improper Payments

Our greatest payment accuracy challenges occur within the SSI program. SSI is a means-tested program for individuals with limited income and resources who are blind, disabled, or aged. The program is complex to administer because the law requires us to determine SSI eligibility and calculate SSI payments on a monthly basis. 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 a payment was correct when paid, subsequent changes in that month can affect the payment due, resulting in either an overpayment or underpayment. Thus, the program requirements themselves sometimes cause improper payments. Improper payments often occur if recipients (or their representative payees on their behalf) fail to timely report changes in any of their eligibility 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. We remain committed to simplifying the SSI program, and we are exploring ways to do this in a fair and equitable manner.

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 the following:

- ISM;
- Living arrangements; and
- Wages.

Later in this section, we provide information on our corrective actions for living arrangements under the corrective action for ISM.

Financial Accounts

Description:

The leading cause of SSI overpayment errors is financial accounts with countable resources in excess of the allowable resource limits. 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:

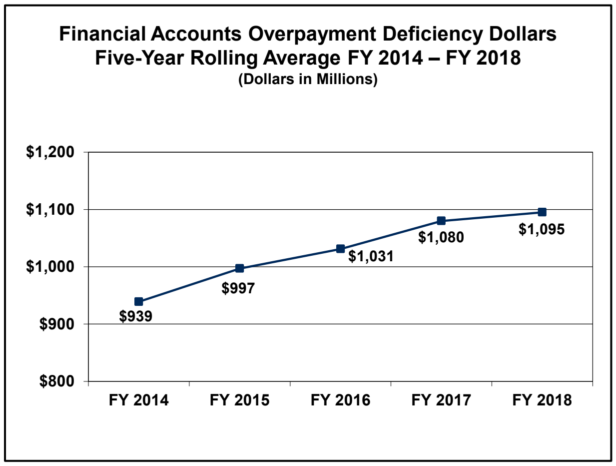


Table 2.6: Financial Accounts Overpayment Deficiency Dollars FY 2014 – FY 2018 (Dollars in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overpayments	$939	$997	$1,031	$1,080	$1,095

Corrective Actions:

By law, a claimant, recipient, or deemor must give us permission to request his or her financial records from any financial institution as an eligibility requirement for SSI. We developed the Access to Financial Institutions (AFI) program to address overpayment errors related to resources in 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 called geographic searches. We conduct up to 10 geographic searches per individual for each review. We use AFI to verify financial accounts during the SSI application process and during periodic redeterminations of continued eligibility, thereby detecting excess resources and deterring improper payment reoccurrence. The AFI initiative is also critical in detecting undisclosed financial accounts; however, we must continue to rely on SSI recipients to timely report when balances fluctuate and exceed the SSI resource limit, either as a single resource or in combination with other resources.

In a future release of our Debt Management System modernization, we plan to implement three 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 “Inability to Authenticate Eligibility: Inability to Access Data” and “Failure to Verify: Financial Data” categories in Table 2.

Table 2.7: Financial Accounts – Corrective Actions

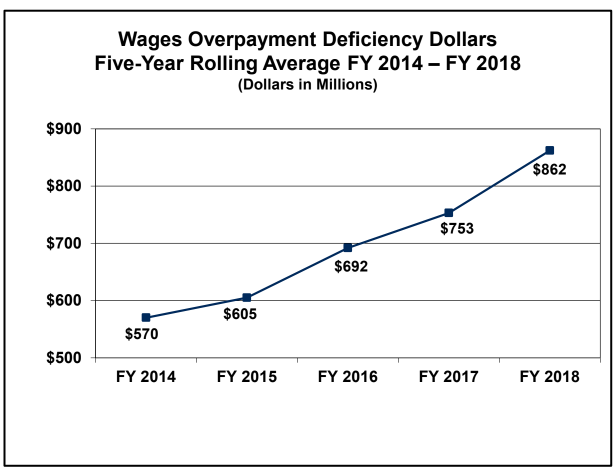
Description	Target Completion	Status
Implement three AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.	FY 2022 through FY 2023	We will implement the following key AFI systems enhancements: • Enhance ability to view attachments from financial institutions; scheduled for development in FYs 2022–2023. • Automate splitting of co-owned bank account balances; scheduled for development in FYs 2022–2023. • Automate AFI for waivers.
Electronically collect an individual's AFI authorization through the Debt Management Product (DMP). Automate the AFI process for waivers, specifically in the waiver application.	FY 2021 through FY 2023	As part of the DMP, we are in the process of developing the intranet waiver application for release by the end of FY 2021. We will electronically capture the overpaid individual's AFI authorization. Before 2023, we plan to electronically send an individual's authorization to the financial institution and display the financial information on the appropriate screen so that the system can calculate the data.

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:



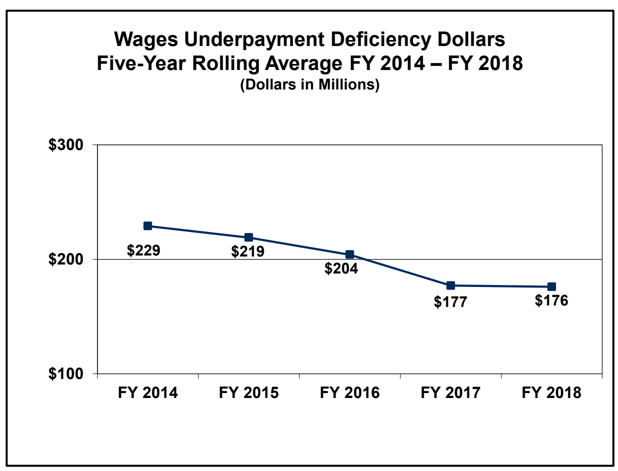


Table 2.8: Wages Deficiency Dollars FY 2014 – FY 2018 (Dollars in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overpayments	$570	$605	$692	$753	$862
Underpayments	$229	$219	$204	$177	$176

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 help determine SSI eligibility and to help prevent improper payments. Please see Table 2.9 for more information about the implementation of Section 824 of the *Bipartisan Budget Act of 2015*.

We developed several communication initiatives to help encourage recipients to remember to report events that can affect eligibility or payment amounts, such as changes in living arrangements, and to make it easier for them to comply with reporting requirements. For example, we created a business card that contains information on reporting requirements that field office staff give recipients during claim and redetermination interviews. Recipients can keep this card for future use when reporting wages to us. We will enhance our notices to include more consistent and clear language on reporting responsibilities and penalties for OASDI beneficiaries and SSI recipients. We currently inform OASDI beneficiaries, SSI recipients, and representative payees about reporting responsibilities by various methods. We apprise them during interviews, with application and redetermination forms and some award and post-eligibility notices, in benefit check envelope enclosures, and in a booklet that accompanies award notices. Our annual Cost of Living Adjustment notices include reminders about reporting changes that could affect benefit payments and eligibility.

By the end of FY 2020, we will work to create an online training video, available for public use, as well as display the video on the SSA digital signage in field office reception areas to inform the public about reporting resources and wages timely. Additionally, the video will remind the public about the consequences of failing to report wages and our Administrative Sanctions policy.

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

- Supplemental Security Income Telephone Wage Reporting (SSITWR)

  SSITWR 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 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 smart devices (e.g., smartphone) 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 mobile 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 a 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.

- myWageReport

  In September 2017, we released the myWR online application, which allows DI beneficiaries and representative payees to report wages to us and provides a receipt for the report that the reporter can view, print, and save. DI self-reporters and their representative payees can report wages that occurred within a two-year timeframe from the reporting date. In June 2018, we added functionality to myWR that allows SSI and concurrent (SSI and DI) wage reporting. SSI recipients, their representative payees, and deemors have a convenient option to report the preceding month's wages electronically. Wage receipts generated by myWR are stored in the Online Retrieval System, which provides online retrieval of our notices and other documents. In an effort to increase use of the myWR application, we will continue to promote the online service to beneficiaries, representative payees, and advocacy groups.

  In FY 2020, we plan to expand on our management information capabilities by gathering more data for accurate and timely insight to measure the efficacy and future business needs of myWR.

We continue to increase the number of successful wage reports received using our automated SSI wage reporting systems. In FY 2019, we processed approximately 308,500 Telephone Wage reports, which is a decrease of 11 percent compared to the number in FY 2018. Additionally, in FY 2019, we processed over 948,000 successful SSI Mobile Wage reports, which is an increase of 10 percent over the number in FY 2018.

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

Table 2.9: Wages – Corrective Actions

Description	Target Completion	Status
Provide an additional option for reporting earnings using authority from Section 826 of the *Bipartisan Budget Act of 2015.*	Completed June 2018	In June 2018, we gave SSI recipients, representative payees, and deemors the option of reporting their wages electronically to encourage timely reporting. Receiving timely wage reports will help reduce wage-related improper payments.
We completed the following enhancements to the myWR online application: Overlapping pay period messaging; wage table sorting; ability to save and print receipts from the Message Center; and implementation of Dynamic Help.	Completed December 2018	We implemented the following features in December 2018: • Overlapping pay period messaging: When the user enters two or more paystubs with overlapping pay periods, the user is asked to verify if the paystubs are correct. • Wage table sorting: Sorts paystubs and displays them in chronological order. • Ability to save receipt to the Message Center: Users now have the ability to save, print, or delete receipts in the Message Center. • Dynamic Help: *my* Social Security account holders who have access to myWR, have the ability to request assistance from a help widget.
We completed the following enhancements to the myWR online application: Implementation of Social Security number (SSN) to Beneficiary Notice Control (BNC) number conversion for myWR receipts and the paystub confirmation feature.	Completed March 2019	We implemented the following features in March 2019: • Displaying a BNC number in place of an SSN on myWR receipts. • Paystub confirmation feature: The user receives an alert message when the frequency of pay and the number of paystubs entered do not match. The alert message asks the user to verify the number of paystubs submitted.
Implementation of navigation path changes in support of Internet Representative Payee Portal (IRPP).	Completed September 2019	We implemented the following enhancements in September 2019: • Enabled myWR to be accessible to users via the new IRPP. • Separated the Self-Reporter and Representative Payee reporting path within *my* Social Security. • Provided screens with specific language for Representative Payees reporting wages to display in the application's path.

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 and 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.	TBD	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. In September 2017, we implemented the first phase of Section 824 of the *Bipartisan Budget Act of 2015*, which allows the agency to collect and store authorization from DI and SSI applicants and beneficiaries to obtain their payroll data via the information exchange. Additionally, we made enhancements to the application we use to process wage determinations for DI. The systems enhancements were made originally in support of Section 826 of the *Bipartisan Budget Act of 2015*. However, we made sure those system releases would also support the *Bipartisan Budget Act of 2015*, Section 824 business process. For example, we added help pages and created notifications of earnings discrepancies. In September 2018, we implemented additional enhancements, such as creating alerts to notify employees that wage data indicates the need for a review. For the information exchange under Section 824 of the *Bipartisan Budget Act of 2015*, in FY 2019, we engaged in contract negotiations and awarded a contract to build an information exchange for monthly earnings data from third-party payroll data providers. We will work with systems staff to identify a business process that would enable us to use the monthly earnings obtained from the payroll provider(s) to identify work CDRs. In October 2019, we developed a timeline, and in FY 2020, we will begin planning and integration of the information exchange within our systems.

In-kind Support and Maintenance

Description:

The basis for charging ISM is found in Section 1612(a)(2)(A) of the *Social Security Act*.[5] It requires us to count any ISM received when determining eligibility for SSI and the amount of monthly benefits. ISM can be in the form of food, shelter, or both from family, friends, or other third-party sources. Further, 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.

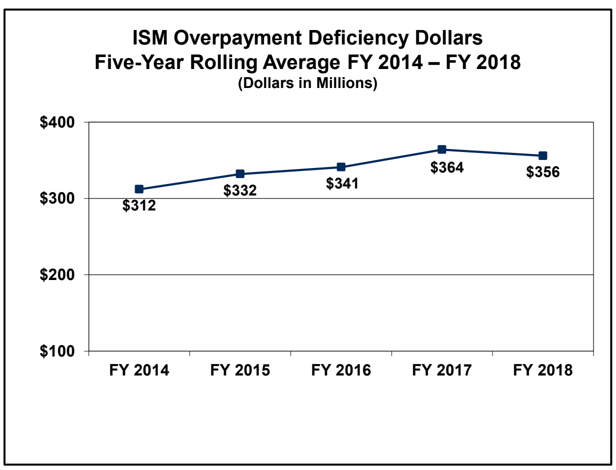
Determining whether an individual receives ISM requires that claimants and recipients report changes in their living arrangements in a timely manner and answer detailed questions about whom they live with, what their household expenses are, how they divide those expenses among household members, and what help they receive from outside of the household.

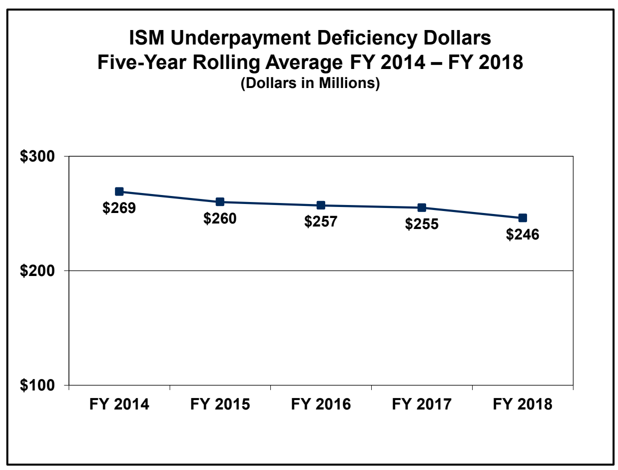
Every time we process an application for SSI benefits, develop a redetermination of eligibility for SSI benefits, or receive a change of address report, and the recipient alleges a living arrangement change that is not documented in our claims system, we need to develop for and possibly recalculate ISM.

In certain 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 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 generally count the difference between the fair share amount and the actual contribution as income to the claimant in the form of ISM.

Historical Figures:





[5] Section 1612(a)(2)(A) of the *Social Security Act* is available at: www.socialsecurity.gov/OP_Home/ssact/title16b/1612.htm.

Table 2.10: ISM Deficiency Dollars
FY 2014 – FY 2018
(Dollars in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overpayments	$312	$332	$341	$364	$356
Underpayments	$269	$260	$257	$255	$246

Corrective Actions:

Table 2.11 shows our actions to reduce errors stemming from ISM. Payment errors stemming from ISM correspond to the "Inability to Authenticate Eligibility: Data Need Does Not Exist," "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	Based on 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/policy changes.
Legislative Proposal		
Currently, SSI recipients can receive lower benefits if they are earning, or otherwise receiving, income. This includes non-cash income, such as assistance by a roommate or family member in paying the recipient's share of the household expenses such as food and shelter. This type of income is called ISM and is difficult to accurately value, because it can fluctuate each month as household expenses and composition and the type of assistance provided may change. The FY 2020 President's Budget includes a proposal that would replace ISM with a flat-rate benefit reduction for adults living with other adults (but will not affect a married couple where both individuals are eligible for SSI). This proposal would make two additional changes to simplify the program and reduce the burden on recipients and representative payees. It would eliminate the holding out policy, which requires our agency to ask invasive questions to determine whether two unrelated adults who live together, and are not married, are holding themselves out to their community as being married. It would also eliminate the dedicated account policy, which requires representative payees to open separate accounts to receive SSI underpayments and limits use of the funds. These requirements confuse representative payees, who are often parents, and restrict their ability to decide which expenditures are in the best interests of their disabled children.	Pending	No congressional action to date.

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 2014–2018, our FY 2018 stewardship review identified non-home real property as the fourth leading cause of SSI overpayments, with average projected improper payments of $255 million in SSI overpayments. We currently rely on the applicant or recipient to report ownership of non-home real property. Our corrective actions, discussed in this section, require our technicians (when processing SSI claims and high-error redeterminations) to identify undisclosed property owned by the claimant, recipient, or deemor via an electronic process.

Historical Figures:

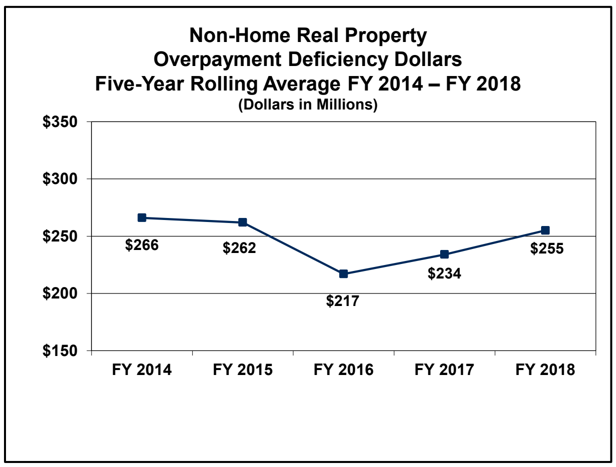


Table 2.12: Non-Home Real Property Overpayment Deficiency Dollars FY 2014 – FY 2018
(Dollars in Millions)

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overpayments	$266	$262	$217	$234	$255

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 high-error 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 integrates third-party, real property ownership data with the SSI Claims System as a lead for further development. We implemented the process nationwide at the start of FY 2018.

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 "Inability to Authenticate Eligibility: Inability to Access Data" and "Failure to Verify: Financial Data" 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 the SSI Claims System for mandatory use during initial claims, initial claim appeal reversals, denied claim reopenings, and high-error redetermination interviews and optional use during other open claim events.	Completed FY 2017	In September 2017, we fully implemented the process nationwide for initial claims and high-error redeterminations interviews.
	Completed FY 2018	In August 2018, we fully implemented the process nationwide for initial claim appeal reversals and denied claim reopenings.
Apply an electronic process for receiving real property information and integrate with the SSI Claims System.	Completed FY 2018	We are currently using commercial records on real property ownership to determine if an individual owns non-home real property that may count as an excess resource. Receiving timely real property ownership data will help reduce non-home real property-related overpayments.
	FY 2020	Evaluate outcomes for integrating third-party, non-home real property data with the SSI Claims System. We are assessing the effectiveness of national implementation of the electronic process and will report on the outcomes of the automated process in FY 2020.

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.

In total, WEP and GPO errors lead to a large dollar value of improper payments, which are mainly due to 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 compute the WEP and GPO and apply the exceptions to them.

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

- Enhance automation;
- Pursue new data;
- Clarify policy instructions; and
- Enhance training specific to the more common WEP and GPO errors.

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 and 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
Enhanced Automation	Completed FY 2018	We pursued a series of systems changes to automate calculations for non-covered pensions. Our goal is to reduce human error, and prompt additional questions of likely non-covered pension recipients to encourage accurate self-reporting. We proposed seven automation enhancements and successfully implemented all enhancements in FY 2017 and FY 2018. We implemented technician alerts during the application process that will notify staff when WEP or GPO may be involved in dual entitlement cases. The alerts will inform technicians if a claimant has non-covered pension information recorded on another benefit record or on another active claim. In FY 2017, we completed a one-time run and released the alerts to our PCs. In FY 2018, we converted the one-time run into a cyclical process. Beginning in FY 2018, we started generating annual alerts to the PCs. We automated the calculation of a lump sum payment into a monthly amount, previously a manual process. We implemented a process to help identify the existence of non-covered earnings to improve pension development. Additionally, to improve collection of pension information for WEP purposes, we added the ability to identify a foreign pension.
Pursuit of New Data	FY 2020	We have been in ongoing discussions with the Internal Revenue Service to obtain non-covered pension information.

Data Exchanges

We developed a strategic initiative focused on making further use of data exchanges to 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 22 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 approximately $7.6 billion, with an annual cost of approximately $345 million yielding a positive benefit-to-cost ratio of 22 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 the Department of Homeland Security (DHS) to obtain information necessary to identify when SSI recipients and OASDI beneficiaries are out of the country. SSI recipients are ineligible for payments if they are out of the country 30 or more consecutive days or for an entire calendar month. Generally, U.S. citizens can receive OASDI benefits regardless of place of residence. Non-citizens may be subject to additional residency requirements.	FY 2019	We conducted a pilot study that focused on the use of the travel 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 foreign travel data. When fully implemented, we estimate around $45 million in potential detectable or preventable SSI overpayments over a 25-month period if we had access to citizen and non-citizen travel data. We developed the Foreign Travel Data (FTD) application within the SSI Claims System to interface with DHS's ADIS, to obtain foreign travel information on non-citizen SSI recipients. The implementation of FTD and integration of ADIS data is a multi-year project spanning FY 2019 through FY 2021, as resources permit. In May 2019, we executed a Memorandum of Agreement with DHS, under which we obtain foreign travel data on non-citizen SSI recipients. In June 2019, we released the first phase of functionality that allows field office staff to query ADIS (via the FTD application) when completing eligibility reviews (i.e., redeterminations) for current SSI recipients. In September 2019, we released the second phase of FTD functionality. We developed a new edit message which will prompt the technicians to perform an FTD query in the SSI Claims System path when completing the eligibility reviews. We will evaluate the citizen data first to ensure there are no issues and then activate the edit message, for the prompt to occur, once citizen data becomes available from DHS in FY 2020.
	FY 2020	By the end of FY 2020 as resources permit, we plan to: • Implement systems' functionality that will create and store FTD travel history records; • Integrate the ADIS data into the SSI Claims System automatically; • Send scheduled requests for ADIS data; and • Expand FTD access to include foreign travel data on U.S. citizens.

Prisoner Information

We completed two of our three initiatives to diminish improper payments in the prisoner suspension area. First, because of our efforts in FY 2018 to reemphasize the prisoner program suspension and reinstatement requirements to our technicians, we suspended monthly benefits to over 32,300 OASDI beneficiaries and more than 79,500 SSI recipients. Second, our monitoring process tracks and controls the return of incorrectly paid incentive payments from overpaid correctional institutions. When we identify incorrectly paid incentive payments, we recoup the payment and return it to our combined OASDI Trust Funds and General Fund of the Treasury. We are beginning to implement our third initiative to capture inmate population files from the largest State correctional institutions. We have also revised our prisoner reporting agreements. Our regional offices are now negotiating State reporting agreements with our State correctional institutions. Our new reporting agreements request State correctional institutions provide census files to capture State correctional inmate population reports. After we obtain State correctional inmate reporting agreements, we will negotiate and sign local correctional institution agreements. Obtaining this inmate data will help us determine if we are receiving complete prisoner information from our participating State and local correctional reporters.

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) for vendor payments and employee reimbursements;
- Health benefit debts due to insufficient employee pay (e.g., in a non-pay status); and
- Employee salary overpayment due to processing retroactive timesheet corrections and personnel actions.

Corrective actions include:

- The majority of the incorrect amounts paid in FY 2018 (for vendor and travel payments) were due to two errors. The first error occurred during the processing of two payments where the past due billing was paid in addition to the current billing. The second error occurred during the certification of a payment where the Contracting Officer's Representative approved an invoice in full prior to the receipt of the goods. A modification was made later to the order, which removed the non-received goods. We recovered both overpayments within two months of the incorrect payments. To prevent similar occurrences, we reviewed our internal procedures, notified the appropriate personnel involved in the improper payments, 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 and personnel actions 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.
- 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, we provide additional training for appropriate personnel, and review 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 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 exceeds 52 pay periods cannot be processed through the electronic system; therefore, we must enter the debt manually.

To comply with OMB Circular No. A-123, Appendix C, recognizing the major causes of payroll and benefits improper payments, we continue to:

- Train staff on time and attendance policy and procedures;
- Audit systems access and remove any users who no longer need access;
- Use data querying tools;
- Review systems to identify possible causes of improper payments; and
- Determine the overall susceptibility of the payroll process to producing improper payments.

We perform administrative fraud risk assessments to actively measure the effectiveness of the internal controls over the processing of payroll. Historically, these assessments found that our payroll management-related risks fall well below the OMB threshold.

Please note that for government-wide reporting purposes, we treat our FY 2018 findings as FY 2019 data. We will not have FY 2019 data until January 2020. We will report our findings from the FY 2019 reviews in next year's *Payment Integrity* report.

Reduction Targets

Table 3 below presents our accuracy targets for FYs 2019 and 2020 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent payment accuracy rate.

Table 3: OASDI Improper Payments Reduction Outlook FY 2019 – FY 2020 (Dollars in Millions)

	FY 2019 Target		FY 2020 Target	
OASDI	**Dollars**	**Rate**	**Dollars**	**Rate**
Total Benefit Payments	$1,032,668.58		$1,087,797.67	
Underpayments	$2,065.34	≤0.20%	$2,175.60	≤0.20%
Overpayments	$2,065.34	≤0.20%	$2,175.60	≤0.20%

Notes:

1. Total OASDI benefit payments for FYs 2019–2020 are estimates consistent with projections for the Mid-Session Review of the FY 2020 President's Budget.
2. FY 2019 data will not be available until summer 2020; therefore, the rates shown for FY 2019 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 2019 and 2020 for the SSI program.

Table 3.1: SSI Improper Payments Reduction Outlook FY 2019 – FY 2020 (Dollars in Millions)

	FY 2019 Target		FY 2020 Target	
SSI	**Dollars**	**Rate**	**Dollars**	**Rate**
Total Federally Administered Payments	$58,283.82		$59,268.39	
Underpayments	$699.41	≤1.20%	$711.22	≤1.20%
Overpayments	$3,497.03	≤6.00%	$3,556.10	≤6.00%

Notes:

1. Total federally administered SSI payments for FYs 2019–2020 are estimates consistent with projections for the Mid-Session Review of the FY 2020 President's Budget, adjusted to be presented on a constant 12-month per year payment basis.
2. FY 2019 data will not be available until summer 2020; therefore, the rates shown for FY 2019 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.

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;
- 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 2020 and FY 2021 based on our FY 2019 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 employment is abundant and former OASDI beneficiaries and SSI recipients are working.

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					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amount Identified (FY 2019)	$11,105.01	$13,776.59	$4.40	$0.68	$24,886.67
Amount Recaptured (FY 2019)	$2,627.27	$1,448.86	$2.33	$0.57	$4,079.04
FY 2019 Recapture Rate	23.7%	10.5%	53.1%	83.4%	16.4%
FY 2020 Recapture Rate Target	20.5%	19.3%	100%	100%	19.9%
FY 2021 Recapture Rate Target	10.1%	9.4%	100%	100%	9.7%

Overpayments Recaptured outside of Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amounts Identified (FY 2019)	$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.	$1.82
Amounts Recaptured (FY 2019)	$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.	$2.22

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 2019. 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 2019 recoveries from debt we had available for recovery in FY 2019, 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 2019 and prior years' experience and the anticipated growth of our benefit payments in FY 2020 and FY 2021.
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 2019) and Amount Recaptured (FY 2019) for administrative payments are from our internal payment recapture audit in FY 2018. Overpayments identified or recaptured in FY 2018 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 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 2018 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 originated.

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, contact third parties 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, PCs, and State DDSs, employees conduct reviews for ongoing eligibility. Medical CDRs are periodic reevaluations to determine if beneficiaries still meet our definition of disability. In August 2018, we reached a milestone by becoming current with our medical CDRs with the release of all available medical CDRs for FY 2018. 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 a termination of benefits or the recovered amount of an overpayment, respectively. 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. We receive dedicated funding to support CDRs and redeterminations.

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 2018 Administrative Expenses[3]
(Dollars in Millions)

Payroll and Benefits	$7,009
State DDS	$1,869
***American Recovery and Reinvestment Act* (ARRA)[1]**	$12
Other Administrative Expenses[2]	$3,755
Total Administrative Expenses	$12,644

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.
3. Total may not necessarily equal the sum of rounded components. We derive dollar amounts from unrounded source data.

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 are excluded from our payment recapture audit program.

For FY 2018, 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 2018, we found approximately $4.40 million in improper payroll overpayments out of $7,009 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 originated.

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 a 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 2018, we reviewed $1.62 billion in vendor and travel payments out of $1.65 billion subject to review.

We identified total vendor and travel improper overpayments of $0.682 million, approximately 0.04 percent of total payments subject to review. As of the end of FY 2018, slightly over $141,000 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 originated.

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 0.09 percent of our total administrative expenses in FY 2018.

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 incorrect or duplicate payments to vendors or employees. 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	$4,076.13	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$4,076.13
Administrative	$2.90	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$2.90

Note:

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

Aging of Outstanding Overpayments

OMB Circular No. A-136 requires agencies to develop 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 2019 Amount Outstanding (0 to 6 Months)	FY 2019 Amount Outstanding (6 Months to 1 Year)	FY 2019 Amount Outstanding (Over 1 Year)	FY 2019 Amount Determined to not be Collectable
OASDI	Overpayment Dollars	$1,234.65	$590.65	$2,548.34	$587.05
	Percent of Total Outstanding	28.2%	13.5%	58.3%	13.4%
SSI	Overpayment Dollars	$1,017.55	$672.84	$5,322.65	$309.37
	Percent of Total Outstanding	14.5%	9.6%	75.9%	4.4%
Payroll and Benefits	Overpayment Dollars	$1.84	$1.46	$3.13	$0.70
	Percent of Total Outstanding	28.7%	22.7%	48.6%	10.9%
Vendor and Travel	Overpayment Dollars	$0.09	$0.02	$0.03	$0.00
	Percent of Total Outstanding	65.4%	14.4%	20.2%	0.3%
Total	Overpayment Dollars	$2,254.14	$1,264.96	$7,874.15	$897.13
	Percent of Total Outstanding	19.8%	11.1%	69.1%	7.9%

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 2018.
3. Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2019 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 2018.
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 2019 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 $4.076 billion in OASDI and SSI benefit overpayments in FY 2019 at an administrative cost of $0.06 on average per dollar collected. We collected $18.5 billion over a 5-year period (FYs 2015–2019). 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 1992–2019, our external collection techniques have yielded $3.2 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 2019 *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 and does not discharge the debt. 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 use TOP, credit bureau reporting, and AWG collection mechanisms. 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.

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 debts owed to States by offset of Federal non-tax payments. In return, the agreements allow the Federal Government to collect delinquent, non-tax debts owed to the Federal Government by offset of State payments.

Continued improvement in other aspects of our debt collection program is underway. In FY 2018, we began modernization efforts to build a new Debt Management System, which, among many features, will also allow for electronic remittances for overpayments. The new information technology (IT) investment, the DMP, is a multi-year effort that will build a new comprehensive overpayment system enabling us to record, track, collect, and report our overpayments more efficiently.

The DMP will also expand the Non-Entitled Debtors (NED) program to collect debts from debtors who have never been entitled to OASDI benefits or SSI payments. 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 addition, we will further implement Section 104 of the *Strengthening Protections for Social Security Beneficiaries Act of 2018* to establish State responsibility for overpayments that occurred for OASDI childhood beneficiaries and SSI child recipients while in State-administered foster care.

During the development of the new DMP, we will accommodate 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:

- Impact on our current collection policies and procedures;
- Post-entitlement notices, as well as the need for new notices; and

- Feasibility of resources to address implementation and oversight from an IT and operations impact perspective.

COLLECTING DEBT

Our improper payments strategy includes focusing on enhancements to improve our OASDI and SSI debt recovery efforts. These changes also support debt management compliance and performance as required by OMB. Please see the list below:

- Debt Management Product
  - Currently, multiple systems exist that record, track, notify, and manage our OASDI and SSI overpayments. Through modernization, we will create a single debt management universal view for our technicians to process overpayment transactions more effectively and efficiently. We will also automate overpayment waiver determinations, where appropriate, to enhance controls surrounding waiver determinations.
  - We will pursue using automation and online services for collecting OASDI and SSI overpayment remittances. In December 2017, we completed our initial initiative via the Social Security Electronic Remittance System to process remittances received in our field offices for program debt.
- 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*.
  - We continued to analyze data to ensure we are accurately reporting our receivables.
  - Implementation of the new DMP will address our reporting limitations such as the number of OASDI debts that the system bundles and counts as a single debt when an individual has multiple debts.
- Policy Update
  - We implemented a systems change to align with our policy on delinquent installment agreements in early FY 2019. This change enables delinquent debts we refer to TOP to remain in referred status until the individual repays the debt in full, requests a waiver, dies, or resumes receiving monthly benefits.

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 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 a recovery of funds if we did not initiate the reclamation timely.

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

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 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.

We have several initiatives we use to track and resolve discrepancies related to death, including:

- The Numident Death Match – This match identifies discrepancies between the Numident, which is our master file of assigned SSNs, 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 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 SSN of a deceased person against our Numident before registering the death. This process results in the electronic transmission to us of more accurate and timely death information, allowing us to stop benefits for the deceased beneficiary. The EDR process supports the agency's Strategic Goal, "Ensure Stewardship." This includes minimizing improper payments by identifying and preventing erroneous payments after death, and reducing erroneous death terminations. States can incur significant costs when transitioning to EDR. However, we continue to work diligently with the four remaining States and one additional jurisdiction.
- Through our IT Modernization efforts from FY 2018 to date, we furthered efforts to improve the accuracy and consistency of death information by adding over 10 million deaths to the Death Master File. These records, for non-beneficiaries, benefit external users of our data in preventing improper payments.
- In FY 2020, we are planning the following enhancements:
  - Continuing efforts to improve the accuracy and consistency of death information by posting historical State death data to the Death Master File;
  - Streamlining the posting of death information to facilitate more timely termination of benefits; and
  - Enhancing our matching criteria to help prevent erroneous death postings.

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 simplify our statutory and regulatory requirements. The FY 2020 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 is located in our *FY 2020 Budget Overview* (www.socialsecurity.gov/budget/).

Offset Unemployment Insurance-Disability Insurance Overlapping Payments

Under current law, concurrent receipt of DI benefits and Unemployment Insurance (UI) is allowable. This situation means that beneficiaries can receive the full disabled worker benefit, while also receiving UI, both of which are intended as income replacement. The Budget proposes to offset DI benefits to account for concurrent receipt of UI. This offset would eliminate duplicative benefits by ensuring, in effect, that the benefit the individual receives would not exceed the higher of the UI or DI benefits.

Authorize SSA to Use All Collection Tools to Recover Funds in Certain Scenarios

Current law provides us only limited authority to recover certain incorrect payments that do not meet the statutory definition of an overpayment. Such incorrect payments include when someone improperly cashes a beneficiary's check or improperly removes benefit funds from a joint account after a beneficiary's death. Because these incorrect payments are not considered overpayments, our recovery options are limited. Additionally, this proposal would provide us the authority to recover court-ordered judgments payable to the Commissioner. These proposed changes would expand our authority to recover funds and end disparate treatment of similar types of improper payments, using all overpayment collection tools, such as credit bureau reporting and AWG.

Increase the Overpayment Collection Threshold for OASDI

This proposal would change the minimum monthly withholding amount for recovery of Title II benefit overpayments for the first time since we established the current minimum of $10 in 1960. By changing this amount from $10 to 10 percent of the monthly benefit payable, we would recover overpayments more quickly and better fulfill stewardship obligations to the combined OASDI Trust Funds. The SSI program already uses a 10 percent recovery policy. If the beneficiary cannot afford to have that amount withheld because he or she cannot meet ordinary and necessary living expenses, the beneficiary may request partial withholding. To determine a proper partial withholding amount, we negotiate (as well as re-negotiate at the overpaid beneficiary's request) a partial withholding rate.

Improve SSI Youth Transition to Work

The SSI transition-age (ages 14 to 25) youth population, despite their disabilities, should have equal opportunities as they become adults to work and achieve self-sufficiency. Unfortunately, a majority of each new generation of SSI youth move directly onto the adult SSI program at age 18 and those who do not remain on SSI (approximately 40 percent) have lives marked by low labor force participation in adulthood and persistent poverty. In particular, the Budget proposes three areas of reform to improve the life outcomes and connect SSI youth to work.

First, the Budget better identifies medical improvement at the earliest point to increase oversight and signal the importance of SSI youth investing in their education and development. The Budget proposes to: (a) authorize us to conduct medical redeterminations at ages 6 and 12 using the initial disability evaluation standard; and (b) increase the frequency and effectiveness of CDRs by expanding the CDR diary system for all disability beneficiaries from three to four categories, allowing us to conduct CDRs more frequently for those medical impairments that are expected or likely to improve.

Second, the Budget improves SSI youth work incentives by eliminating administrative barriers and increasing the value of work by proposing to disregard all earned income and eliminate income reporting requirements through age 20, provide a higher disregard of earnings with a gradual phase-down for SSI recipients and ineligible children between ages 21 and 25, and eliminate school enrollment reporting requirements.

Finally, the Budget improves access to vocational rehabilitation services for SSI transition-age youth, as well as the entire DI and SSI population, by allowing us to make referrals to these services.

Simplify Administration of the SSI Program

Currently, SSI recipients can receive lower benefits if they are earning, or otherwise receiving, income. Income includes non-cash income, such as assistance by a roommate or family member in paying the recipient's share of the household expenses, such as food and shelter. This type of income is called ISM and is difficult to accurately value because it can fluctuate each month as household expenses and composition and the type of assistance provided may change. This proposal would replace ISM with a flat-rate benefit reduction for adults living with other adults.

This proposal would make two additional changes to simplify the program and reduce the burden on beneficiaries and representative payees. This proposal would eliminate the holding out policy, which requires us to ask invasive questions to determine whether two unrelated adults, who live together and are not married, are holding themselves out to their community as being married. This proposal would also eliminate the dedicated account policy, which requires representative payees to open separate accounts in order to receive SSI underpayments and limits how funds in the accounts can be used. These requirements confuse representative payees, who are often parents, and restrict their ability to decide which expenditures are in the best interests of their disabled children.

Accountability

Effective FY 2012, as required by IPERA, we hold 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 directly leverage 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), consisting of senior executive membership, 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, Controls, and Legal Compliance* section of this FY 2019 *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 Commissioner's annual assurance 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 Commissioner's annual assurance statement, additional information of our review program, and the results of the financial statement audit, in the *Systems, Controls, and Legal Compliance* section of this FY 2019 *Agency Financial Report*. For additional information on the financial statement audit, please see the *Report of Independent Certified Public Accountants* section of this FY 2019 *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 2018 and FY 2019, we received the fully authorized cap adjustments for dedicated program integrity activities; as a result, we have been able to remain current with the full medical CDR workloads that we process. In FY 2018, we completed approximately 896,500 full medical CDRs and approximately 2.91 million SSI redeterminations. In addition, we completed approximately 314,400 work CDRs in FY 2018. In FY 2019, we completed approximately 713,000 full medical CDRs and approximately 2.67 million SSI redeterminations. In addition, we completed approximately 310,700 work CDRs in FY 2019.

In August 2018, we reached a milestone by becoming current with the volume of full medical CDRs with the release of all available full medical CDRs for FY 2018. The FY 2020 President's Budget will continue to remain current with program integrity workloads, helping to 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 2015 and earlier establish that we achieve significant program savings with this workload. Additionally, in the FY 2020 Budget we estimate that that CDRs conducted in 2020 will yield a return on investment of about $8 on average in net Federal program savings over 10 years per $1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare and Medicaid program effects. The Budget proposes $1,582 million for SSA, including the FY 2020 cap adjustment amount of $1,309 million for dedicated program integrity. The *Bipartisan Budget Act of 2015* authorized a net increase in new cap adjustment levels through 2021.

Information Systems

Our staff rely on our IT infrastructure to serve the public and safeguard our programs. However, our infrastructure needs have evolved as the demands for our data and programs have increased. We developed our systems over 30 years ago, and the infrastructure and application code has lagged behind as newer technologies advanced what is possible with the use of modern tools and emerging IT capabilities such as artificial intelligence. Our IT infrastructure has grown increasingly complex, inefficient to meet customer demands, and costlier to maintain and secure as changes were applied on top of prior changes.

We initiated our *IT Modernization Plan* in FY 2018 to improve our service to the public. We will advance our IT infrastructure with 21st century technology and implement the technical flexibility necessary to adapt to future demands. To achieve our modernization goals, we will invest $691 million over 5 years, including the $325 million that the Congress provided in dedicated IT modernization funding in FYs 2018 and 2019. We must devote resources to upgrading our infrastructure while simultaneously maintaining our current IT services to ensure that our customers experience uninterrupted service. The President's Budget continues to fund our *IT Modernization Plan*, which allows us to make technical infrastructure changes, communications capabilities to support beneficiaries and recipients, and service improvements.

For example, we will replace outdated claims intake "green screens" with modern software and begin to replace 24 million lines of COBOL that support our claims process with modern code. Over the next several years, the Consolidated Claims Experience will replace our multiple benefit claims taking systems. This new system will provide our employees a holistic view of customer data in a graphical user interface, eliminating "green screen" queries and consolidating all customer information in one place. We will also improve the disability claims adjudication process by developing decision support tools that use artificial intelligence on electronic medical and vocational records.

In FY 2019, we continued modernizing our database infrastructure and support capabilities; improve access to master file data to allow the eventual retirement of legacy software; consolidate and eliminate duplicate data; and expand our enterprise data warehouse. In FY 2020, we will continue to modernize our claims taking process, improve the quality of the data we use to make decisions on eligibility and payment, and improve our communication with beneficiaries and recipients. We will further consolidate data in areas that deliver measurable business value while improving data integrity and access, and continue to improve database support by using modern relational database formats and techniques. We will also continue to deploy the Customer Communications Management application capability to collect and react to customer communications preference for receiving information from the agency and to receive agency correspondence via traditional mail or online. These efforts will help us benefit from IT advancements in the coming years.

Other Infrastructure

The agency continues to emphasize the importance of information security through continual operational refinement and the maturation of security components that exceed the standards set forth by government regulations.

In FY 2019, we implemented new capabilities for identifying and mitigating vulnerabilities within our IT assets. We enhanced our identity management platform, further automated our response to security events, and improved data at rest encryption to protect further our information assets. We deployed IT infrastructure, developed network models needed to enhance our network access controls, and strengthened our strategy to limit the impact of potential cyber-attacks. We implemented new email and network safeguards to detect and prevent malware from entering our network. Additionally, we developed and implemented our plan to address key cybersecurity skill and knowledge gaps identified under the *Federal Cybersecurity Workforce Assessment Act*.

In FY 2020, we will strengthen our efforts to attract, develop, and retain our cybersecurity workforce to continue to address cyber threats. We will continue to improve our cybersecurity infrastructure and our ability to detect and eliminate vulnerabilities by using automated workflows. We will automate our detection and response processes to provide seamless integration from the identification of threats through the mitigation of vulnerabilities, as well as implement additional protections designed to limit the impact of potential cyber-attacks (whether they stem from external or internal threats). We will invest in and improve upon our existing identity management capabilities to enhance and automate access control provisioning and privileged account management.

In FY 2021, we will continue to align our agency cybersecurity priorities with agency strategic objectives and the National Institute of Standards and Technology Cybersecurity Framework (CSF). Continued alignment with the

CSF will infuse practices from Federal initiatives including the President's Cybersecurity National Action Plan, DHS's High Value Asset program, and DHS's Continuous Diagnostics and Mitigation program. We will continue to streamline and modernize the existing Comprehensive Integrity Review Program business process. The revised process will use innovative technologies such as big data and predictive analytic tools to identify, detect, and stop potentially fraudulent programmatic transactions before they occur.

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 2018. For government-wide reporting purposes, we treat our FY 2018 findings as FY 2019 data. We will not have FY 2019 data until summer 2020. We will report our findings from the FY 2019 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.

RISK ASSESSMENT

RISK SUSCEPTIBLE PROGRAM

IPERA expanded the definition of programs susceptible to significant improper payments to include programs with improper payments estimated to exceed $100 million. Under this definition, our OASI, DI, and SSI programs are susceptible to significant improper payments. We estimate improper payments in these programs in terms of overpayments and underpayments. See Table 1.1 for details of our OASI and DI improper payments, and Table 1.2 for details of our SSI improper payments in the Payment Reporting section of this *Payment Integrity* report.

OMB's IPERA guidance requires us to evaluate all our payment outlays (i.e., payments from the OASI, DI, and SSI programs and other outlays, such as administrative payments). Since 2003, we have reviewed our administrative payments, including payroll disbursements and vendor payments. We found these payments were not susceptible to significant improper payments. As such, OMB guidance requires that we conduct a risk assessment at least once every three years. Below we provide additional information on the risk assessment of our administrative payments.

Benefit Payments

To comply with IPERA's risk assessment requirements, we conduct an annual stewardship review of our OASDI and SSI payments. Our stewardship review is a cost-effective means for evaluating payment accuracy and identifying major causes of improper payments in our benefit programs.

Administrative Payments

IPERA requires agencies to review administrative payments as part of their annual risk assessment process. If these risk assessments determine that an agency's administrative payments are susceptible to significant improper payments, the agency is required to establish an annual improper payment measurement related to administrative payments.

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

- A number of financial statement audits, which identified no significant weakness in the administrative payment process;
- The size, stability, and complexity of our administrative payment processes;
- The historically low error rate for administrative payments;
- Extensive controls inherent in our administrative payment systems; and
- The current internal control structure we have in place to prevent, detect, and recover improper administrative payments.

We evaluated our FY 2018 administrative expenses and determined they were not susceptible to significant improper payments as defined by IPIA. We reviewed the agency's Travel and Purchase Card Management Plans required by OMB Circular No. A-123, Appendix B, *Improving the Management of Government Charge Card Programs*. We also leveraged the results of an independent accounting firm's FY 2017 residual risk assessment in support of our FMFIA Internal Control Program. This assessment found that our administrative expenses, accounts payables, human resources, and payroll management-related residual risks are low overall.

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