

IMPROPER PAYMENTS INFORMATION DETAILED REPORT

BACKGROUND

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

In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), we report as improper those payments that result from:

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

As outlined in OMB’s IPERIA guidance, any program with \$750 million in improper payments qualifies as a high-priority program, and agencies must report improper payments in those programs. Two of our programs meet OMB’s definition of high-priority programs: the OASDI program and the SSI program.

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

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

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 1.3 for details of our SSI improper payments.

OMB's IPERA guidance requires us to evaluate all of 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. Below we provide additional information on the risk assessment of our administrative payments.

We evaluated our FY 2015 administrative expenses and determined they were not susceptible to significant improper payments as defined by IPIA.

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 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 FY 2014 independent accounting firm's financial risk assessment in support of our *Federal Managers' Financial Integrity Act* (FMFIA) compliance program. This assessment found that our administrative expenses, accounts payables, human resources, and payroll management-related risks are low overall.

Other than the requirements of our annual *Agency Financial Report*, our administrative payments do not meet the criteria for further improper payment reporting to Congress or OMB.

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 2015. For government-wide reporting purposes, we treat our FY 2015 findings as FY 2016 data. We will not have FY 2016 data until April 2017. We will report our findings from the FY 2016 stewardship reviews in next year's *Improper Payments Information Detailed 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.

IMPROPER PAYMENT REPORTING

IMPROPER PAYMENTS STRATEGY

For FY 2016, we continued to align our improper payments strategy with our improper payments governance. We are collaborating with our Federal partners, stakeholders, and beneficiaries to attain our agency Strategic Goal to "Strengthen the Integrity of Our Programs." Proper management of payments is an essential element of our goal.

Under this Strategic Goal, we will:

- Collaborate with our Federal partners across the Improper Payment and Data Exchange Communities of Practice to find innovative ways to prevent and reduce improper payments through potential legislative proposals, data exchange agreements, or other collaboration;
- Increase efforts to recover overpayments by modernizing our debt collection systems;
- Enhance predictive models and automation tools to help identify error-prone aspects of benefit eligibility;
- Expand the use of data analytics to reduce fraud and payment errors; and
- Streamline the Representative Payee Program to better identify potential misuse of benefits.

We do not intend for our key improper payment initiatives to be a static list. We periodically reassess our focus as it relates to reducing improper payments. One of our agency critical priorities focuses on enhancing quality and payment accuracy for our customers.

Within our prior strategic approach to address improper payments, we identified two initiatives to reduce improper payments: impose administrative sanctions and improve death data processing. We have made significant progress in these two areas. In September 2013, we revised our policy to apply administrative sanctions more consistently.

Since we implemented the new procedures, our data demonstrates improved consistency among personnel in our regional offices in applying administrative sanctions and an overall threefold increase in the number of sanction cases imposed nationally. Incorrect death data is not a leading cause of improper payments. Even so, we have made significant strides in the last fiscal year to ensure that we do not have different death data in our systems. The Death Information Processing System, a multi-year, multi-phase release, which made the Numident our official repository of death data, as well as the expansion of Electronic Death Registration to five additional States, are helping us reduce the number of erroneous deaths reported to the Death Master File. Payment errors based on death data correspond to the “Failure to Verify: Death Data” category in Table 2.

This fiscal year, based upon our stewardship reviews and other efforts, we identified the leading causes of improper payments and major quality issues and selected workloads where we can collectively make meaningful progress by the end of FY 2017, with adequate and sustained funding. Building on our current efforts and processes, we will focus on two key areas: (1) combating the leading cause of improper payments; and (2) improving quality and program integrity.

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

- Explore the cost-effectiveness of increasing Access to Financial Institutions (AFI) information;
- Enhance the wage reporting process;
- Identify non-home real property;
- Make better use of data exchanges, including a study of the Department of Homeland Security (DHS), Customs and Border Protection’s Arrival and Departure Information System data, and exploring the possibility of a data exchange agreement with them;
- Implement a corrective plan for applying the Government Pension Offset (GPO) ([a definition of GPO is available at: www.socialsecurity.gov/pubs/10007.html](http://www.socialsecurity.gov/pubs/10007.html)) and Windfall Elimination Provisions (WEP) ([a definition of WEP is available at: www.socialsecurity.gov/pubs/EN-05-10045.pdf](http://www.socialsecurity.gov/pubs/EN-05-10045.pdf));
- Identify potential entitlements;
- Increase post-entitlement accuracy;
- Enhance debt collection policy and practices; and
- Improve medical cessation processing.

We discuss these initiatives and their relation to reducing improper payments in our OASDI and SSI programs in the Improper Payment Root Cause Categories and the Improper Payment Corrective Actions sections of this report. We also discuss initiatives that affect improper payments in both programs in the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section of this improper payments report.

In our *Annual Performance Report for FYs 2015-2017*, one of our strategic objectives to achieve our Strategic Goal is to Increase Payment Accuracy. To reach this strategic objective, we identified the following five performance measures:

- Reduce the percentage of improper payments made under the SSI program;
- Maintain a high accuracy rate of payments made through the OASDI program to minimize improper payments;
- Improve the integrity of the SSI program by ensuring that 95 percent of our payments are free of overpayment;
- Complete the budgeted number of full medical CDRs; and
- Complete the budgeted number of SSI non-medical redeterminations.

We discuss our strategies to achieve these performance measures in our [Annual Performance Report for FYs 2015-2017 \(www.socialsecurity.gov/agency/performance/2016/FINAL_2015_2017_APR_508_compliant.pdf\)](http://www.socialsecurity.gov/agency/performance/2016/FINAL_2015_2017_APR_508_compliant.pdf).

EXPERIENCE AND OUTLOOK 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 2014 and FY 2015. In Table 1, we also include our improper payment rates for funds we spent to support Hurricane Sandy recovery activity, since they are also considered susceptible to significant improper payments by the *Disaster Relief Appropriations Act of 2013* (DRAA). We calculate the overpayment rate by dividing overpayment dollars by total dollars paid, and the underpayment rate by dividing underpayment dollars by total dollars paid. We calculate the improper payment (IP) rate by adding overpayment and underpayment dollars and dividing the sum total dollars paid. This table also presents our accuracy targets for FYs 2016, 2017, and 2018 for the OASDI and SSI programs.

Please see Table 1.1 for more details about our improper payment rates for the OASI and DI programs for FYs 2013, 2014, and 2015, and see Table 1.2 for more details about our combined OASDI Improper Payments Reduction Outlook for FYs 2016, 2017, and 2018. For our SSI program, please see Table 1.3 for more details about our improper payment rates for the SSI program for FYs 2013, 2014, and 2015, and see Table 1.4 for more details about our SSI Improper Payments Reduction Outlook for FYs 2016, 2017, and 2018.

TABLE 1: IMPROPER PAYMENT REDUCTION OUTLOOK^{1,2,3,4,5,6,7,8}
FY 2014 – FY 2018
(DOLLARS IN MILLIONS)

	OASI	DI	OASDI	SSI	DRAA ^{9,10,11}	Total
FY 2014 Outlays	\$720,351.38	\$142,368.41	\$862,719.79	\$56,457.56	\$0.081	\$919,177.43
2014 IP %	0.45%	1.25%	0.58%	8.44%	0.00%	1.07%
2014 IP \$	\$3,253.32	\$1,784.87	\$5,038.19	\$4,764.74	\$0.00	\$9,802.93
FY 2015 Outlays	\$712,644.02	\$141,045.42	\$853,689.44	\$56,625.58	\$0.00	\$910,315.02
2015 IP %	0.27%	1.22%	0.43%	7.42%	0.00%	0.86%
2015 IP \$	\$1,947.09	\$1,725.06	\$3,672.16	\$4,201.49	\$0.00	\$7,873.65
2015 Overpayment \$	\$1,575.47	\$1,524.93	\$3,100.40	\$3,431.29	\$0.00	\$6,531.69
2015 Underpayment \$	\$371.62	\$200.14	\$571.76	\$770.20	\$0.00	\$1,341.96
2016 Est. Outlays			\$906,096.90	\$57,481.26	\$0.00	\$963,578.16
2016 Est. IP %⁶			0.40%	6.20%	0.00%	0.75%
2016 Est. IP \$			\$3,624.39	\$3,563.84	\$0.00	\$7,188.23
2017 Est. Outlays			\$943,044.67	\$57,794.37	\$0.00	\$1,000,839.04
2017 Est. IP %⁶			0.40%	6.20%	0.00%	0.73%
2017 Est. IP \$			\$3,772.18	\$3,583.25	\$0.00	\$7,355.43
2018 Est. Outlays			\$997,066.57	\$58,891.74	\$0.00	\$1,055,958.31
2018 Est. IP %⁶			0.40%	6.20%	0.00%	0.72%
2018 Est. IP \$			\$3,988.27	\$3,651.29	\$0.00	\$7,639.56

Notes:

- Total OASDI and SSI outlays for FY 2014 and FY 2015 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.
- OASDI outlays are estimates based on limited sample sizes, which may cause them to vary from year to year.
- FY 2016 data will not be available until late April 2017; therefore, the rates shown for FY 2016 are targets.
- Total OASDI benefit payments for FYs 2016-2018 are estimates consistent with projections for the Mid-Session Review of the FY 2017 President's Budget. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
- Total federally administered SSI payments for FYs 2016-2018 are estimates consistent with projections for the Mid-Session Review of the FY 2017 President's Budget, adjusted to be presented on a constant 12 month per year payment basis.
- 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.
- Please note that year-to-year differences are not statistically significant.
- OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited 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 and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2015, each tenth of a percentage point in payment accuracy represents about \$854 million in program outlays for the OASDI program and about \$56.6 million in program outlays for the SSI program. Given our improper payment results, we will work with OMB over the coming year to develop targets for the FY 2018 and FY 2019 Agency Priority Goal to reduce SSI payment error.

9. Total FY 2014 DRAA payments represent the total outlays in FY 2014 against the FY 2013 obligations. The FY 2013 DRAA obligations were for \$1,021,379. The current unpaid obligation balance is \$29,519. We realized recoveries of \$6,257 on previously recorded unpaid obligations.
10. We had no DRAA payments in FY 2015. In addition, there is no additional funding or obligations for DRAA.
11. We had no DRAA payments in FY 2016. In addition, there is no additional funding or obligations for DRAA.

OASDI EXPERIENCE AND REDUCTION OUTLOOK

Over the last 5 years (FYs 2011-2015), our stewardship reviews estimate that we paid approximately \$3.4 trillion to OASI beneficiaries. Of that total, we estimate \$6.8 billion were overpayments, representing approximately 0.20 percent of outlays. We estimate that underpayments during this same period were \$2.3 billion, the equivalent of approximately 0.07 percent of outlays.

Applying the same analysis to the DI program, we estimate that we paid \$670 billion to DI beneficiaries over the last 5 years (FYs 2011-2015). Of that total, we estimate \$6.6 billion were overpayments, representing approximately 0.99 percent of outlays. We estimate underpayments during this same period totaled \$1.5 billion, the equivalent of approximately 0.22 percent of outlays.

Table 1.1 shows the estimated improper payment rates for the OASI and DI programs for FYs 2013, 2014, and 2015.

**TABLE 1.1: OASDI IMPROPER PAYMENTS EXPERIENCE
FY 2013 – FY 2015
(DOLLARS IN MILLIONS)**

	FY 2013		FY 2014		FY 2015	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	\$692,672.98		\$720,351.38		\$712,644.02	
Underpayment Error	\$682.09	0.10%	\$291.26	0.04%	\$371.62	0.05%
Overpayment Error	\$1,108.75	0.16%	\$2,962.06	0.41%	\$1,575.47	0.22%
DI						
Total Benefit Payments	\$131,518.38		\$142,368.41		\$141,045.42	
Underpayment Error	\$417.25	0.32%	\$181.19	0.13%	\$200.14	0.14%
Overpayment Error	\$743.69	0.57%	\$1,603.68	1.13%	\$1,524.93	1.08%
Combined OASDI						
Total Benefit Payments	\$824,191.36		\$862,719.79		\$853,689.44	
Underpayment Error	\$1,099.33	0.13%	\$472.45	0.05%	\$571.76	0.07%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	\$1,852.44	0.22%	\$4,565.74	0.53%	\$3,100.40	0.36%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FYs 2013-2015 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 2016 data will not be available until late April 2017; therefore, the rates shown for FY 2016 are targets.
4. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data.

OTHER INFORMATION

- OASI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2013, +0.10 percent and -0.13 percent for underpayments and +0.16 percent and -0.17 percent for overpayments; for FY 2014, +0.03 percent and -0.05 percent for underpayments and ±0.40 percent for overpayments; and for FY 2015, +0.03 percent and -0.04 percent for underpayments and +0.14 percent and -0.15 percent for overpayments.
- DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2013, +0.32 percent and -0.33 percent for underpayments and +0.57 percent and -0.61 percent for overpayments; for FY 2014, +0.12 percent and -0.23 percent for underpayments and +0.12 percent and -1.76 percent for overpayments; and for FY 2015, +0.13 percent and -0.25 percent for underpayments and +1.07 percent and -1.18 percent for overpayments.
- Changes in the OASDI error rates from FY 2013 to FY 2014 and from FY 2014 to FY 2015 are not statistically significant.

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

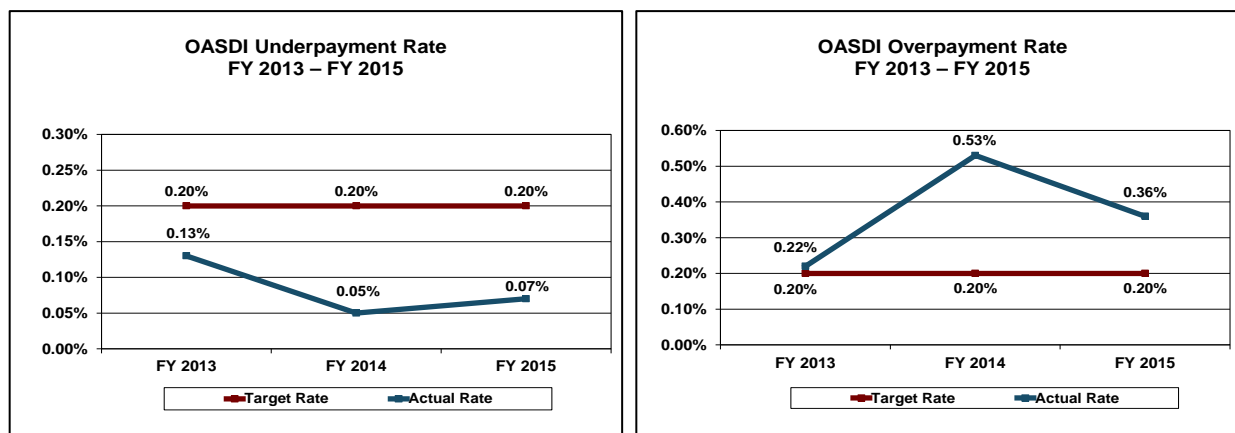


Table 1.2 presents our accuracy targets for FYs 2016, 2017, and 2018 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

TABLE 1.2: OASDI IMPROPER PAYMENTS REDUCTION OUTLOOK^{1,2,3}
FY 2016 – FY 2018
(DOLLARS IN MILLIONS)

	FY 2016 Target		FY 2017 Target		FY 2018 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASDI						
Total Benefit Payments	\$906,096.90		\$943,044.67		\$997,066.57	
Underpayments	\$1,812.19	≤0.20% ⁴	\$1,886.09	≤0.20% ⁴	\$1,994.13	≤0.20% ⁴
Overpayments	\$1,812.19	≤0.20% ⁴	\$1,886.09	≤0.20% ⁴	\$1,994.13	≤0.20% ⁴

Notes:

- Total OASDI benefit payments for FYs 2016-2018 are estimates consistent with projections for the Mid-Session Review of the FY 2017 President's Budget.
- FY 2016 data will not be available until late April 2017; therefore, the rates shown for FY 2016 are targets.
- We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
- OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited 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 and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2015, each tenth of a percentage point in payment accuracy represents about \$854 million in program outlays for the OASDI program.

SSI EXPERIENCE AND REDUCTION OUTLOOK

Over the last 5 years (FYs 2011-2015), our stewardship reviews estimate that we paid approximately \$274.5 billion to SSI recipients. Of that total, we estimate \$18.7 billion were overpayments, representing about 7 percent of outlays. We estimate that underpayments during this same period were \$4.4 billion, the equivalent of approximately 1.6 percent of outlays.

Table 1.3 shows the estimated improper payment rates for the SSI program for FYs 2013, 2014, and 2015.

**TABLE 1.3: SSI IMPROPER PAYMENTS EXPERIENCE
FY 2013 – FY 2015
(DOLLARS IN MILLIONS)**

	FY 2013	FY 2014	FY 2015
Total Federally Administered Payments			
Dollars	\$55,349.89	\$56,457.56	\$56,625.58
Underpayments			
Dollars	\$917.82	\$840.26	\$770.20
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.66%	1.48%	1.36%
Overpayments			
Dollars	\$4,189.49	\$3,924.48	\$3,431.29
Target Rate	≤5.00%	≤5.00%	≤5.00%
Actual Rate	7.57%	6.95%	6.06%

Notes:

- Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
- FY 2016 data will not be available until late April 2017; therefore, the rates shown for FY 2016 are targets.
- The percentages and dollar amounts presented in Table 1.3 are correct based on actual numbers used from the source data. However, there may be differences in the calculated overpayment and underpayment rates due to rounding.
- SSI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2013, ±0.45 percent for underpayments and ±1.83 percent for overpayments; for FY 2014, ±0.27 percent for underpayments and ±0.95 percent for overpayments; and for FY 2015, ±0.64 percent for underpayments and ±0.51 percent for overpayments.
- Please note that year-to-year differences are not statistically significant.

The graphs below show our estimated SSI underpayment and overpayment rates for the last three years.

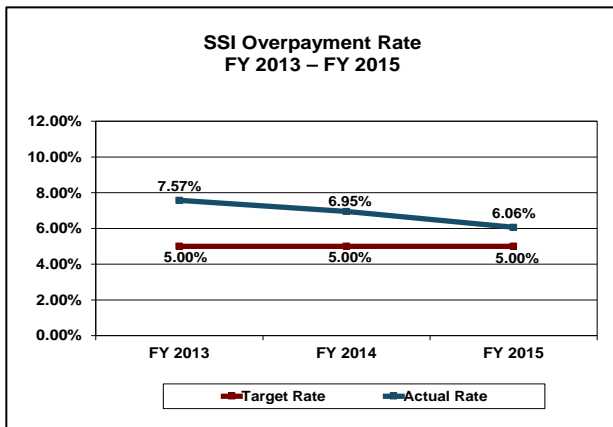
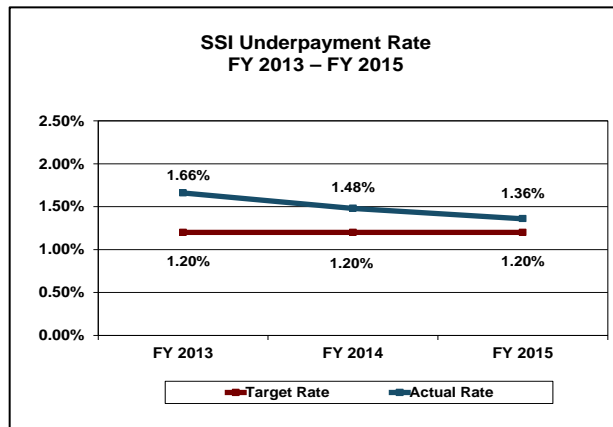


Table 1.4 shows our target accuracy goals for FYs 2016, 2017, and 2018 for the SSI program.

TABLE 1.4: SSI IMPROPER PAYMENTS REDUCTION OUTLOOK^{1,2}
FY 2016 – FY 2018
(DOLLARS IN MILLIONS)

	FY 2016 Target		FY 2017 Target		FY 2018 Target	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
Total Federally Administered Payments	\$57,481.26		\$57,794.37		\$58,891.74	
Underpayments	\$689.78	≤1.20% ³	\$693.53	≤1.20% ³	\$706.70	≤1.20% ³
Overpayments	\$2,874.06	≤5.00% ³	\$2,889.72	≤5.00% ³	\$2,944.59	≤5.00% ³

Note:

1. Total federally administered SSI payments for FYs 2016-2018 are estimates consistent with projections for the Mid-Session Review of the FY 2017 President's Budget, adjusted to be presented on a constant 12 month per year payment basis.
2. FY 2016 data will not be available until late April 2017; therefore, the rates shown for FY 2016 are targets.
3. OMB Circular No. A-136 Part II.5.8, section III.vii states, "If an agency establishes a reduction target that does not decrease (e.g., a target that is constant or increasing), the reason(s) for establishing such a target must be clearly explained in a footnote to the table." We strive to reduce improper payments within the constraints of statutory and regulatory requirements and limited 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 and SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to address improper payments, outcomes must be significant to affect our error rate. For FY 2015, each tenth of a percentage point in payment accuracy represents about \$56.6 million in program outlays for the SSI program. We will work with OMB over the coming year to develop targets for the FY 2018 and FY 2019 Agency Priority Goal to reduce SSI payment error.

HIGH-PRIORITY PROGRAMS - SSI SUPPLEMENTAL MEASURES AND TARGETS

To comply with Executive Order 13520, as amended by IPERIA, we developed the following two 3-year SSI supplemental measures and targets for FYs 2015-2017:

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

The total number of SSI redeterminations we complete varies from year to year based on available resources and field office workload considerations. We completed approximately 2.267 million SSI redeterminations in FY 2015. Our FY 2016 appropriated budget included resources to complete 2.522 million SSI redeterminations. We anticipate the target will be 2.822 million, subject to our funding, in both FY 2017 and FY 2018.

2. Increase the number of successful wage reports received using SSI Telephone Wage Reporting (SSITWR) and SSI Mobile Wage Reporting (SSIMWR) by 6 percent from the previous fiscal year.

The SSITWR system contains a dedicated telephone number to allow SSI beneficiaries and their representative payees to report the beneficiary's monthly wages by calling and using a combination of touch-tone entry and voice-recognition software. For FYs 2015-2017, our goal was and still is to increase the combined SSITWR and SSIMWR successful wage reports by 6 percent from the prior fiscal year.

These supplemental measures also support our Agency Priority Goal to improve the integrity of the SSI program by ensuring that 95 percent of our payments are free of improper payments. Our goal is to increase our SSI overpayment accuracy to 95 percent and our SSI underpayment accuracy to 98.8 percent by the end of FY 2016 and FY 2017.

We discuss the SSI redeterminations workload in more detail in the Improper Payment Corrective Actions section.

The following tables reflect our supplemental targets and measures for FYs 2016-2018.

**TABLE 1.5: SSI – SUPPLEMENTAL MEASURES AND TARGETS
FY 2016**

Type of Error	Targets	Actuals	Reporting Frequency
<u>Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility</u>			
<p>Cause: Beneficiaries fail to report a change that affects payment amount or eligibility.</p> <p>Program Savings: Refer to the Accountability section of this improper payments report for information on our program savings.</p>	<p>By September 30, 2016, complete the budgeted amount of 2.522 million SSI non-medical redeterminations.</p>	<p>In FY 2016, we completed approximately 2.530 million SSI redeterminations.</p>	<p>Monthly</p>
<u>Overpayment Due to Unreported Wages</u>			
<p>Cause: Beneficiaries, representative payees, and deemors (i.e., individuals such as a parent or spouse whose income and resources are considered in determining an applicant's or recipient's eligibility and payment) fail to report their new or increased wages.</p> <p>Error Amount: \$592.2 million (94 percent of all wage overpayment deficiency dollars and 15.4 percent of all overpayment deficiency dollars) in FY 2015.</p>	<p>In FY 2016, increase the number of wage reports we process using SSITWR and SSIMWR by 6 percent over 896,488, the number in FY 2015.</p>	<p>In FY 2016, we received 1,046,757 monthly wage reports, a 16.76 percent increase over FY 2015.</p>	<p>Monthly</p>

**TABLE 1.6: SSI – SUPPLEMENTAL MEASURES AND TARGETS
FY 2017**

Type of Error	Targets	Actuals	Reporting Frequency
<u>Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility</u>			
<p>Cause: Beneficiaries fail to report a change that affects payment amount or eligibility.</p> <p>Program Savings: Refer to the Accountability section of this improper payments report for information on our program savings.</p>	<p>By September 30, 2017, complete the budgeted amount of 2.822 million SSI non-medical redeterminations.¹</p>	<p>FY 2017 actual information not yet available.</p>	<p>Monthly</p>
<u>Overpayment Due to Unreported Wages</u>			
<p>Cause: Beneficiaries, representative payees, and deemors fail to report their new or increased wages.</p> <p>Error Amount: \$592.2 million (94 percent of all wage overpayment deficiency dollars and 15.4 percent of all overpayment deficiency dollars) in FY 2015.</p>	<p>By FY 2017, increase the number of wage reports we process using SSITWR and SSIMWR by 6 percent over 1,046,757, the number in FY 2016.</p>	<p>FY 2017 actual information not yet available.</p>	<p>Monthly</p>

Note:

1. This amount is based on the FY 2017 President's Budget and is subject to change depending upon the specifics of the FY 2017 appropriations.

**TABLE 1.7: SSI – SUPPLEMENTAL MEASURES AND TARGETS
FY 2018**

Type of Error	Targets	Actuals	Reporting Frequency
<u>Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility</u>			
<p>Cause: Beneficiaries fail to report a change that affects payment amount or eligibility.</p> <p>Program Savings: Refer to the Accountability section of this improper payments report for information on our program savings.</p>	<p>Official processing targets for SSI non-medical redeterminations in FY 2018 have not yet been determined. These targets will be released with the publication of the FY 2018 President's Budget.</p>	<p>FY 2018 actual information not yet available.</p>	<p>Monthly</p>
<u>Overpayment Due to Unreported Wages</u>			
<p>Cause: Beneficiaries, representative payees, and deems fail to report their new or increased wages.</p> <p>Error Amount: \$592.2 million (94 percent of all wage overpayment deficiency dollars and 15.4 percent of all overpayment deficiency dollars) in FY 2015.</p>	<p>By FY 2018, increase the number of wage reports we process using SSITWR and SSIMWR by 6 percent over the number in FY 2017.</p>	<p>FY 2018 actual information not yet available.</p>	<p>Monthly</p>

IMPROPER PAYMENT ROOT CAUSE CATEGORIES

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

TABLE 2: IMPROPER PAYMENT ROOT CAUSE CATEGORY MATRIX FOR FY 2015
(DOLLARS IN MILLIONS)

Reason for Improper Payment	OASDI Program		SSI Program		DRAA	
	Overpayments	Underpayments	Overpayments	Underpayments	Overpayments	Underpayments
Program Design or Structural Issue	\$0	\$0	\$0	\$0	\$0	\$0
Inability to Authenticate Eligibility	\$163.63	\$52.54	\$3,089.41	\$631.61	\$0	\$0
Failure to Verify:						
Death Data	\$1.02	\$9.08	\$31.92	\$5.46	\$0	\$0
Financial Data	\$0	\$0	\$39.07	\$25.22	\$0	\$0
Excluded Party Data	\$0	\$0	\$0	\$0	\$0	\$0
Prisoner Data	\$247.99	\$0	\$0	\$0	\$0	\$0
Other Eligibility Data	\$1,985.34	\$27.31	\$9.12	\$22.02	\$0	\$0
Administrative or Process Error Made by:						
Federal Agency	\$702.42	\$482.83	\$261.77	\$85.89	\$0	\$0
State or Local Agency	\$0	\$0	\$0	\$0	\$0	\$0
Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)	\$0	\$0	\$0	\$0	\$0	\$0
Medical Necessity	\$0	\$0	\$0	\$0	\$0	\$0
Insufficient Documentation to Determine	\$0	\$0	\$0	\$0	\$0	\$0
Other Reason (a) (explain)	\$0	\$0	\$0	\$0	\$0	\$0
Other Reason (b) (explain)	\$0	\$0	\$0	\$0	\$0	\$0
TOTAL	\$3,100.40	\$571.76	\$3,431.29	\$770.20	\$0	\$0

Notes:

1. Data Source: FY 2015 OASDI and SSI stewardship reviews.
2. There may be slight variances in the dollar amounts reported due to rounding of source data.
3. Because the amount of death overpayment is small, the estimated amount of error found in our samples varies from year to year. Over the five-year period, FY 2011 through FY 2015, it averaged approximately \$17 million per year.
4. Because the amount of prisoner overpayment is small, the estimated amount of error found in our samples varies from year-to-year.
5. Beginning in 2015, OMB required us to categorize improper payments in our programs into seven categories as defined below:
 - **Program Design or Structural Issue** – Improper payments resulting from the design of the program or a structural issue.
 - **Inability to Authenticate Eligibility** – Improper payments issued because the agency is unable to authenticate eligibility criteria. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Substantial Gainful Activity (Table 2.1). 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 2.4), Wages (Table 2.5), and Other Real Property (Table 2.7).
 - **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.
 - **Death Data** – Failure to verify that an individual is deceased and the agency pays that individual. For more information, see the Improper Payment Reporting section.
 - **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 2.4) and Other Real Property (Table 2.7).
 - **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.
 - **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.
 - **Other Eligibility Data** – Any other failure to verify data not already listed above, causing the agency to make an improper payment as a result. For OASDI, the leading root causes are SGA and GPO. For SSI, the leading root causes are Living Arrangement and In-kind Support and Maintenance. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Substantial Gainful Activity (Table 2.1). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (Table 2.6).
 - **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 2.2) and Potential Entitlements (Table 2.3). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (Table 2.6).
 - **Medical Necessity Errors** – Improper payments issued to a medical provider who delivers a service or item that does not meet coverage requirements for medical necessity.
 - **Insufficient Documentation to Determine** – Improper payments issued when there is a lack of supporting documentation necessary to verify accuracy of a payment identified in the improper payment testing sample.
 - **Other Reason** – Improper payments caused by payment errors that do not fit in the above categories.

IMPROPER PAYMENT CORRECTIVE ACTIONS

MAJOR CAUSES AND CORRECTIVE ACTIONS FOR OASDI IMPROPER PAYMENTS

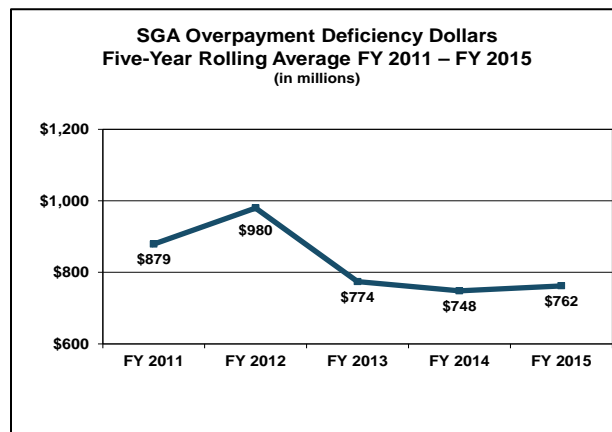
Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are SGA and errors in computations. The major cause of underpayments is errors in computations.

SUBSTANTIAL GAINFUL ACTIVITY

DESCRIPTION:

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

HISTORICAL FIGURES:



CORRECTIVE ACTIONS:

Table 2.1 shows our actions to ensure timely processing of beneficiaries' earnings. Payment errors based on SGA correspond to the "Inability to Authenticate Eligibility" and the "Failure to Verify: Other Eligibility Data" category in Table 2.

TABLE 2.1: SGA – CORRECTIVE ACTIONS

Description	Target Completion	Status
<u>Audit Recommendation</u>		
<p>To minimize improper payments, we agreed with an audit recommendation to prioritize identifying cases where we failed to terminate the disability payments following medical cessation determinations.</p>	Ongoing	<p>We continue to work with all stakeholders to develop appropriate corrective actions and enhance automated solutions on these cases. Since November 2015, we have cleared 6,298 of the 8,800 cases for corrective action. We continue discussions with appropriate stakeholders to enhance our automated solutions to prevent such errors in the future.</p>
<u>Predictive Model</u>		
<p>We have developed Work Smart. The Work Smart process identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. The process builds on the current Continuing Disability Review Enforcement Operation (CDREO) by integrating quarterly work CDR alerts based on quarterly earnings from the Office of Childhood Support Enforcement (OCSE) into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process.</p>	Ongoing	<p>The national screening program within Work Smart ran in June 2016. We removed approximately 700,000 unproductive CDR alerts from the current CDREO process.</p> <p>The quarterly work CDR alerts based on OCSE data will be released nationally in November 2016.</p>

OTHER INFORMATION

Description	Target Completion	Status
<u>Legislation and Legislative Proposals</u>		
<p>The <i>Bipartisan Budget Act of 2015</i> authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the disability and SSI programs to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage data through such an exchange will be exempt from certain statutory penalties for failure to report changes in employment. The statutory effective date was November 2016.</p>	<p>November 2017</p>	<p>To implement the <i>Bipartisan Budget Act of 2015</i> authority, we have convened a cross-agency project team to collaborate on implementing the <i>Bipartisan Budget Act</i> Section 824 and other wage-related <i>Bipartisan Budget Act</i> provisions. We are meeting major milestones such as documenting the business process document and general user requirements. We are currently documenting systems requirements, benchmarking with other federal agencies, conducting market research, and publishing a statement of work to engage with commercial payroll providers. We have begun drafting a notice of proposed rulemaking and are targeting late calendar year 2017 for implementation. This target is contingent on adequate funding throughout FY 2017.</p>
<p>The <i>Bipartisan Budget Act of 2015</i> requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.</p>	<p>September 2017</p>	<p>Development will continue, and we expect to implement by the end of FY 2017.</p>
<p>The <i>Bipartisan Budget Act of 2015</i> establishes a rebuttable presumption that earnings were earned in the month in which earnings were paid for the purpose of SSI and DI post-entitlement determinations. This new policy will no longer require us to contact employers when doing an SGA determination. Instead, we will use other readily available evidence, thus reducing processing times for work CDRs and reducing overpayments.</p>	<p>September 2017</p>	<p>We expect to implement by the end of FY 2017.</p>
<p>The FY 2017 President's Budget includes a proposal that would restructure the wage-reporting process by requiring employers to report wages quarterly instead of annually. The proposal would not affect reporting on self-employment. Increasing the frequency of wage reporting could enhance tax administration and improve program integrity for our OASDI and SSI programs by permitting us to leverage the wage data more timely.</p>	<p>Pending</p>	<p>No Congressional action to date.</p>

COMPUTATIONS

DESCRIPTION:

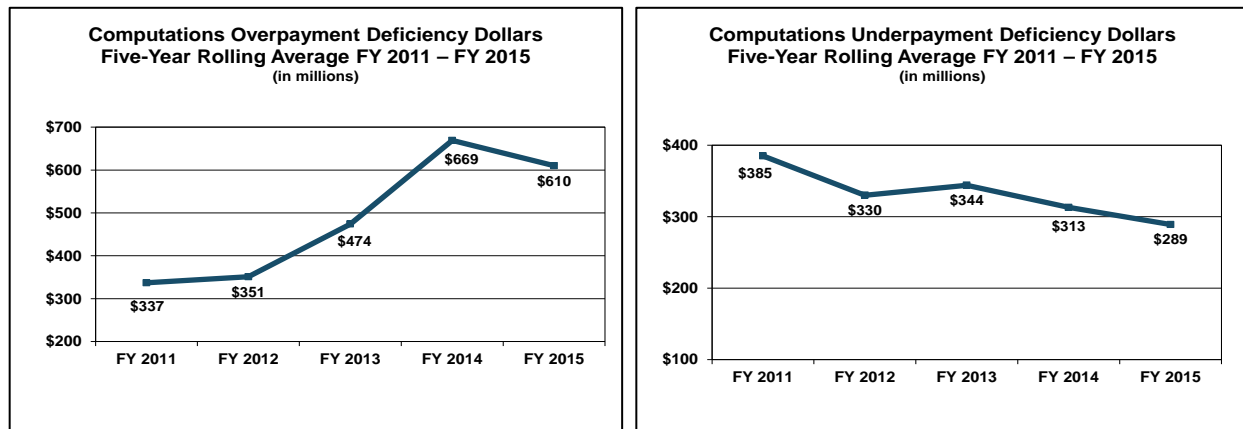
While steadily declining, errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

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 2011-2015, approximately 68 percent of the computation errors resulted in overpayments, with the leading causes being WEP, failure to apply the Retirement Insurance Benefit Limitation (RIB-LIM) when applicable, and adjustment of the reduction factor (ARF) computation. RIB-LIM applies when a deceased beneficiary received a reduced retirement benefit. Under RIB-LIM, the maximum benefit for a surviving spouse or surviving divorced spouse is limited to the benefit amount that the deceased beneficiary would receive if he or she were still alive. WEP accounted for 65 percent of computation errors for the five-year period, while RIB-LIM and ARF, respectively, accounted for 9 percent and 8 percent of these errors. In addition to the WEP Corrective Action Plan that is now underway, we will further identify the root causes of RIB-LIM and ARF errors and likely issue policy reminders to our staff.

HISTORICAL FIGURES:

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



CORRECTIVE ACTIONS - INCREASE POST-ENTITLEMENT ACCURACY

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

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 addressed:

OTHER INFORMATION

- Initiated four outreach efforts dealing with vulnerable populations such as widows, veterans, the aged, and disabled children.
- Implemented systems changes for three projects dealing with widows, children, and the aged.
- Developed a community outreach plan to promote OASDI surviving parent’s benefits.
- Completed analysis on projects involving potential entitlement situations for minor children, Medicare only beneficiaries, military service retirees, and disabled children.
- Selected projects to be addressed in FY 2017.

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

Table 2.2 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 2.2: INCREASE POST-ENTITLEMENT ACCURACY

Description	Target Completion	Status
Provide better descriptive definitions of the OASDI systems alert, exception, and processing limitation codes to give technicians more precise information on actions needed.	FY 2018	Planning and analysis was completed September 22, 2016. Development is scheduled for FY 2017, contingent on available resources.
Review the most problematic overpayment cases being worked in our Office of Disability Operations. Our objective is to determine the root causes of overpayment errors and provide recommendations to address improved processing.	FY 2017	This project is ongoing. We began a national payment center overpayment study in April 2016. The current focus is on overpayments due to disability cessation or the extended period of eligibility. We expect to have data available for reporting by December 31, 2016.
The FY 2017 President’s Budget includes a proposal to establish workers’ compensation and public disability benefits information reporting. Since we currently rely on beneficiaries to report when they receive benefits, this proposal would improve program integrity by requiring States, local governments, and private insurers that administer workers’ compensation and public disability benefits to provide this information to us. The proposal would provide for the development and implementation of a system to collect such information from States, local governments, and insurers.	Pending	No Congressional action to date.

Table 2.3 shows our actions to pursue potential entitlement workloads. We plan to reduce underpayments by completing workloads targeting vulnerable populations. We will identify cases and develop a strategy to prevent recurrences. Payment errors related to potential entitlements correspond to the “Administrative or Process Error Made by: Federal Agency” category in Table 2.

TABLE 2.3: POTENTIAL ENTITLEMENTS

Description	Target Completion	Status
Pursue potential entitlement workloads.	<p>Completed September 2014</p> <p>Completed March 2014</p> <p>Completed FY 2016</p>	<p>In FY 2014 and FY 2015, we evaluated the following initiatives:</p> <ul style="list-style-type: none"> • Outstanding Potential Entitlement Referral Account Cases: We identified SSI recipients who are potentially entitled to OASDI benefits. <ul style="list-style-type: none"> ○ Through September 2014, we reviewed 184 cases and entitled 57 individuals to OASDI benefits. • We identified individuals potentially entitled to higher benefits on the record of a former spouse, who is now deceased. <ul style="list-style-type: none"> ○ In March 2014, we sent letters to over 2,800 individuals, informing them of their higher potential benefits. Through December 2014, over 1,000 individuals filed for benefits and are currently receiving an average monthly increase of \$607. • Veteran's Pension Referral: We identified SSI recipients who had a scheduled redetermination in FY 2014, and were possibly eligible for a veteran's pension. <ul style="list-style-type: none"> ○ Through FY 2014, we reviewed over 5,400 cases out of 5,748 identified. Of those cases, we referred over 4,200 to the Department of Veterans Affairs (VA). ○ In FY 2015, we notified approximately 30,000 SSI recipients that they might be entitled to a veteran's pension. ○ We have completed the final evaluation of the FY 2015 mailing. By the end of FY 2016, over 7,800 (25 percent) of the SSI recipients contacted are now receiving VA benefits or compensation.

MAJOR CAUSES AND CORRECTIVE ACTIONS FOR SSI IMPROPER PAYMENTS

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

SSI is a means-tested program for individuals with limited income and resources that are blind, disabled, or aged. This program is complex because fluctuations in monthly income, resources, and living arrangements may affect eligibility and monthly payment amounts. Improper payments often occur if recipients (or their representative payees on their behalf) fail to timely report changes in any of these factors (e.g., an increase of their resources or a change in their wages). Failure to report such changes is the primary cause of both overpayment and underpayment errors.

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

- Financial accounts (e.g., bank savings or checking accounts, or credit union accounts);
- Wages;
- In-kind Support and Maintenance (ISM); and
- Other real property (i.e., ownership of non-home real property).

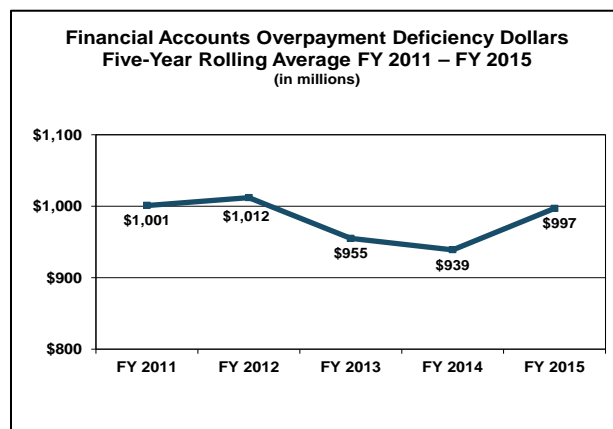
Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Later in this section, we provide information on our corrective actions for living arrangements under the corrective action for wages.

FINANCIAL ACCOUNTS

DESCRIPTION:

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

HISTORICAL FIGURES:



CORRECTIVE ACTIONS:

A claimant, recipient, or deemor must give us permission to request his or her financial records from any financial institution (i.e., financial permission) as an eligibility requirement for SSI. We developed the AFI program to address overpayment errors related to financial accounts. AFI is an automated process that verifies alleged bank account balances with financial institutions to identify potential excess resources in financial accounts held by SSI applicants, recipients, and deemors. In addition to verifying alleged bank accounts, AFI detects undisclosed accounts using unique search criteria. We use AFI to verify financial accounts during the SSI application process, as well as when we conduct periodic redeterminations of continued eligibility.

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

Table 2.4 shows our actions to reduce errors related to financial accounts. Payment errors related to financial accounts correspond to the “Failure to Verify: Financial Data” and “Inability to Authenticate Eligibility” categories in Table 2.

TABLE 2.4: FINANCIAL ACCOUNTS – CORRECTIVE ACTIONS

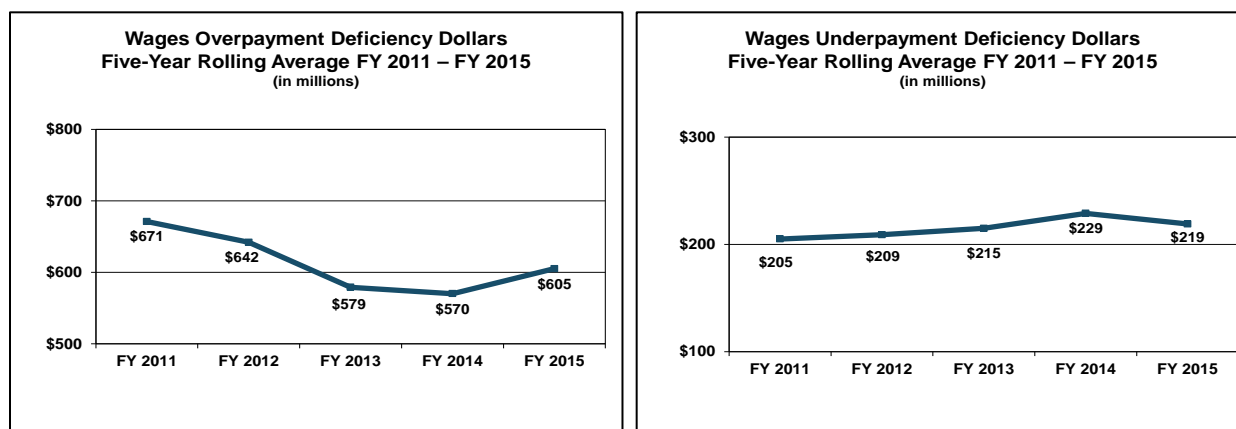
Description	Target Completion	Status
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance that we implemented in October 2013.	Completed FY 2016	We completed evaluations in the first quarter of FY 2016. Based on these findings, we are recommending that it would not be the most efficient use of our limited program integrity resources to conduct additional AFI searches or to make any additional changes to the process at this time.
Conduct study to evaluate benefits of automatically initiating AFI requests during the period between redeterminations of SSI eligibility. This proposal would enable us to prevent improper payments earlier and limit the amount of any overpayments.	Completed December 2015	Our study found that it would not be the most efficient use of program integrity resources to use AFI between SSI redeterminations. While there are positive returns, there may be more efficient uses of program integrity resources than lowering the tolerance used for AFI.
Implement two AFI systems enhancements that will improve our current process for initiating AFI.	Completed January 2016	In October 2015, we added functionality to allow an address, other than the current residence address, for geographic searches in AFI to search the prior address when a person moves. In January 2016, we added functionality to search for financial institutions by the routing transit number when initiating AFI requests.

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:



CORRECTIVE ACTIONS:

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

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

- A two-pocket folder – The folder includes panels that list the SSI reporting requirements and pockets to store key documents such as wage stubs or other materials to help people report accurately.
- A business card – This small card contains information on the reporting requirements to be kept in a wallet or with other important papers.

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

- SSITWR

In FY 2008, we implemented SSITWR, which allows recipients, representative payees, and deemors to report prior monthly gross wages via an automated telephone system. SSITWR ensures we post the wage amounts to the individual's record in a timely manner.

- SSIMWR Smartphone Application

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

We rolled out the initiative nationally on August 1, 2013, following the release of some minor system improvements made as the result of feedback received during the pilot.

- Automated Reminder

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

We continue to increase the number of successful wage reports SSI recipients submit using our automated SSI wage reporting systems. In FY 2016, we processed 1,046,757 successful automated wage reports, which is an increase of 16.76 percent over the number in FY 2015.

Table 2.5 shows our actions to reduce errors related to wages. Payment errors related to wages correspond to the “Inability to Authenticate Eligibility” category in Table 2.

TABLE 2.5: WAGES – CORRECTIVE ACTIONS

Description	Target Completion	Status
Request that SSI applicants and recipients provide their consent for us to obtain information from other sources.	Completed October 2015	We now capture the SSI recipient’s authorization for us to contact commercial entities, including payroll providers, for evidence related to SSI eligibility and payment amount. In addition, we added new print options to allow the claims representative to provide a printed copy of the authorization information to the person who provided the authorization or to any third parties that require proof of authorization prior to releasing personal information to us.
Perform a proof of concept (POC) to test whether automated posting of income information available through commercial wage databases offered by private payroll providers would allow us to reduce wage-related improper payments and save administrative resources.	Completed July 2015	We gathered data through the POC. The findings revealed that there is value in monthly matching with a payroll provider as wage information is available for the majority of the sample.
Section 824 of the <i>Bipartisan Budget Act of 2015</i> authorizes the Commissioner to establish information exchanges with private payroll data providers to obtain wage data to administer the DI and SSI programs to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for failure to report a change in employment.	November 2017	To implement the <i>Bipartisan Budget Act of 2015</i> authority, we obtained executive approval on the business process document and will begin systems planning and analysis in November 2016. We are conducting market research and drafting the Statement of Work as part of our effort to let the contract by July 2017. We are also drafting the Notice of Proposed Rulemaking with a target completion date of June 2017. Final implementation of Section 824 is targeted for November 2017.

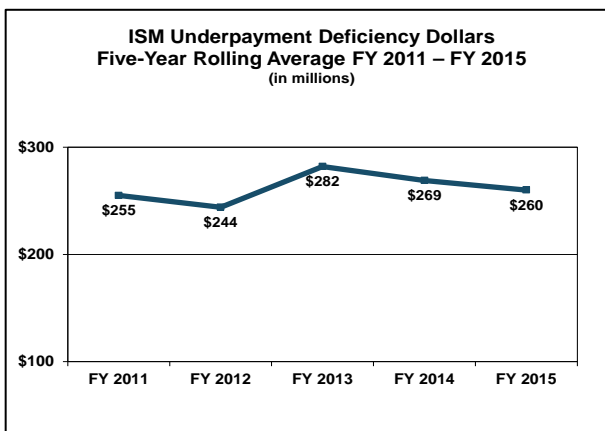
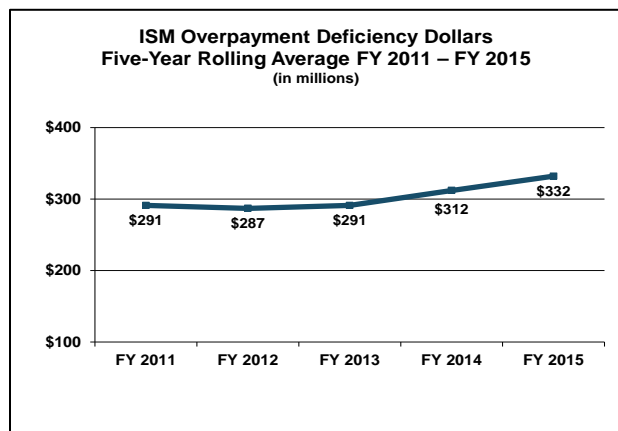
Description	Target Completion	Status
Section 826 of the <i>Bipartisan Budget Act of 2015</i> requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	September 2017	Enacted in the <i>Bipartisan Budget Act of 2015</i> . Development will continue, and we expect to implement by the end of FY 2017.
Pursue an SSI RoboCalling pilot to encourage SSI recipients and deemors to use our automated wage reporting tools.	Completed April 2016	The pilot ran from July 2015 through September 2015. A subsequent evaluation found a small increase in the likelihood of a call recipient using the wage reporting tools. Based on these findings, we are recommending that it would not be the most efficient use of our limited resources to continue to pursue the use of SSI RoboCalling.

IN-KIND SUPPORT AND MAINTENANCE

DESCRIPTION:

ISM is unearned income a recipient receives in the form of food, shelter, or both. Overpayments can occur when the recipient fails to report ISM. Underpayments can occur when the recipient’s ISM amount is less than the amount used to calculate his or her monthly payment. Studies show that many of the errors attributed to ISM are due to the complexity of the statute and our regulations and policies concerning ISM. These policies are difficult for SSI recipients to understand, making it problematic for them to report changes in a timely manner.

HISTORICAL FIGURES:



CORRECTIVE ACTIONS:

Table 2.6 shows our actions to reduce errors stemming from ISM. Payment errors stemming from ISM correspond to the “Failure to Verify: Other Eligibility Data” and the “Administrative or Process Error Made By: Federal Agency” categories in Table 2.

TABLE 2.6: ISM – CORRECTIVE ACTIONS

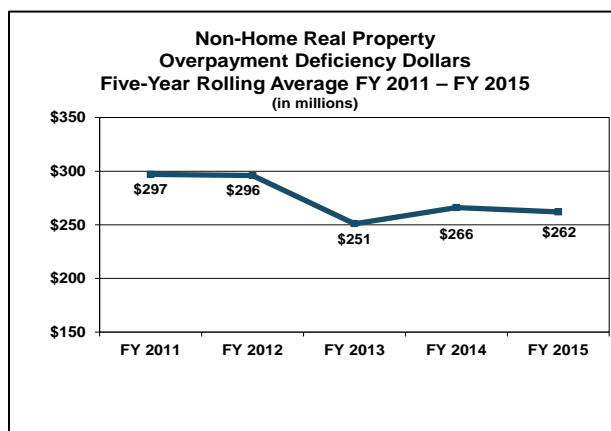
Description	Target Completion	Status
Statutory, Regulatory, Policy and Procedure Review		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	Because of our reviews, we issue periodic reminders and policy clarifications,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

OTHER REAL PROPERTY

DESCRIPTION:

SSI ineligibility may result if a recipient owns real property (generally land and the building, such as a house, on the land) other than his or her principal place of residence (referred to as "non-home real property"), and the current equity value exceeds the resource limit. Undisclosed non-home real property is a leading cause of improper overpayments in the SSI program. For the five-year period from FY 2011 through FY 2015, our FY 2015 stewardship reviews identified real property as the fourth leading cause of SSI overpayments, with average projected improper payments of \$262 million in SSI overpayments. We currently rely on the applicant or recipient to report ownership of non-home real property. Our corrective actions, discussed on the following page, will provide our technicians with an electronic process to identify undisclosed property owned by the applicant, recipient, or demor.

HISTORICAL FIGURES:



CORRECTIVE ACTIONS:

Real property ownership information is available publicly for all 50 States through commercial data providers (e.g., *LexisNexis/Accurint*). To test the value of using a commercial provider to identify undisclosed real property, we studied the use of *LexisNexis/Accurint* in SSI claims and redeterminations. This study indicated that the use of this data could reduce SSI overpayments associated with the ownership of undisclosed property by SSI claimants and recipients. In November 2015, our Acting Commissioner approved nationwide expansion of non-home real property integration with the SSI Claims System. The process will integrate third-party non-home real property ownership data directly into the SSI Claims System path as a lead for further development. Implementation is scheduled for the end of FY 2017. During FY 2018, we will fully implement the use of non-home real property data nationwide.

Table 2.7 shows our actions to reduce errors related to non-home real property. Payment errors related to non-home real property correspond to the “Failure to Verify: Financial Data” and “Inability to Authenticate Eligibility” categories in Table 2.

TABLE 2.7: OTHER REAL PROPERTY – CORRECTIVE ACTIONS

Description	Target Completion	Status
Fully integrate third-party non-home real property data with SSI systems for use during initial claims and high error redetermination interviews.	FY 2016 through FY 2017	In November 2015, we decided to move forward with nationwide expansion. The current focus is on management information planning and requirements, as well as systems development. By the end of FY 2017, we will complete the integration.

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

The following key initiatives enhance our program integrity efforts.

WINDFALL ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET

DESCRIPTION:

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

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

- Lack of accurate data to administer the WEP and GPO provisions;
- Lack of automation to minimize human error and ensure timely action in response to existing alerts;
- Lack of understanding among agency technicians of how non-covered pensions work; and
- Lack of understanding among agency technicians of how to administer the WEP and GPO provisions.

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

- Pursuit of new data;
- Enhanced automation;
- Clarified policy instructions; and/or
- Enhanced training specific to the more common WEP/GPO errors.

We are fully committed to improve our administration of these workloads, we plan to make substantial progress in FY 2017, and possibly continue into FY 2018, depending on resource constraints.

We formed a cross-agency work group to:

1. Review all Office of the Inspector General (OIG) and internal studies over the past five years to compile a comprehensive list of identified changes in WEP/GPO implementation;
2. Assess the root causes of improper payments based on these changes; and
3. Develop policy, data, systems, or training solutions in line with each of the root causes of improper payments.

TABLE 2.8: WINDFALL ELIMINATION PROVISION AND GOVERNMENT PENSION OFFSET

Description	Target Completion	Status
Pursuit of new data	FY 2017	We have encountered a legal barrier with some states sharing information regarding non-covered pensions and are exploring alternative options. We have recently re-engaged the Department of the Treasury's Internal Revenue Service (IRS) to explore whether we can obtain non-covered pension information from the IRS as those talks progress.
Enhanced Automation	FY 2018	We are pursuing a series of systems changes that will automate calculations and alter the system agency technician's use. Our goal is to reduce human error, prompt additional questions of likely non-covered pension recipients to encourage accurate self-reporting, and automate notices to claimants to obtain updated pension information more timely. There are 10 automation enhancements proposed. Completion of these enhancements is FY 2017 and FY 2018, dependent on availability of resources.
Policy Clarification	FY 2017	We will update and modify policy and process documentation to focus on those areas of WEP/GPO administration that have been most error prone, such as those beneficiaries dually-entitled and affected by both the WEP and GPO.
Targeted Training	FY 2017	We will develop and conduct a series of videos on demand on WEP and GPO that specifically target the error prone areas, such as understanding how non-covered pension payments are distributed to beneficiaries.

DATA EXCHANGES

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

DESCRIPTION:

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

Currently, we conduct 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 nearly \$4.5 billion, with an annual cost of approximately \$200 million yielding a positive cost benefit ratio of 22.27 to 1.

Table 2.9 shows our efforts to pursue additional data exchanges to improve our OASDI and SSI improper payment identification and prevention efforts.

TABLE 2.9: DATA EXCHANGES

Description	Target Completion	Status
Establish a data exchange agreement with DHS to obtain information necessary to identify when SSI recipients are out of the country. SSI recipients are ineligible for any entire calendar month during which they are not present in the United States.	FY 2018	We are performing a study of an initial set of data for non-citizens before implementing a full data exchange. We anticipate completion of the study analysis by December 31, 2016. If the study findings support an ongoing data exchange, we will enter into a CMA with DHS. Full CMAs take approximately 12 months to develop; therefore, the earliest implementation date would be in FY 2018.
Obtain Federal payroll data via the OCSE quarterly wage data. This effort will reduce improper payments by timely suspending monthly DI payments if data suggests a recipient's income meets certain thresholds at which the benefit should be reduced or suspended. This data exchange is limited to Federal employees.	Completed May 2016	The agency and OCSE entered into the new CMA on December 17, 2015, to obtain new hire, quarterly wage, and unemployment insurance data for DI recipients. We began receiving Federal payroll data via OCSE's quarterly wage data beginning May 2016.

PRISONER INFORMATION

In order to diminish improper payments in the prisoner suspension area, we are undertaking three new initiatives to help curb fraud and reduce overpayments. First, we are issuing prisoner case processing reminder items to our technicians to re-emphasize important prisoner data verification requirements and restate our OASDI and SSI suspension and non-payment policies. Second, we established a new monitoring process to track and control the return of incorrectly paid incentive payments from overpaid correctional institutions. This effort allows us to repay this returned money to the OASI and DI Trust Funds. Third, we are reviewing our prisoner reports from the largest State correctional institutions to determine if we are receiving complete prisoner information from each of these State prison reporters. This review will identify long-term prisoners who are fraudulently claiming Social Security benefits on fictitious numbers while they still are incarcerated in a State prison.

MAJOR CAUSES OF IMPROPER ADMINISTRATIVE PAYMENTS

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

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

Corrective actions include:

- The majority of the incorrect amounts paid in FY 2015 (for vendor and travel payments) were due to a lone incident where we processed the incorrect amount on a single high-dollar invoice. We recovered this overpayment within one week of the incorrect payment. To prevent a similar occurrence, we reviewed our internal procedures, notified the appropriate personnel involved in the improper payment, and determined that existing internal controls are adequate.
- Health benefit debts are a major cause of payroll and benefit 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. Salary overpayments are another major cause of payroll and benefits improper payments. They occur when we process a retroactive personnel and/or timesheet correction. We recalculate the employee's record for the earliest pay period affected forward for actions that occurred within the last 26 pay periods. A negative result indicates that the employee was overpaid and the system automatically creates a debt. Retroactive corrections are another major cause of payroll and benefit improper payments. A retroactive correction occurs when a retroactive personnel action that is past 26 pay periods cannot be processed through the electronic system; therefore, we must enter the debt manually. We plan to perform a risk profile in FY 2017 and a risk assessment in FY 2018 to determine how to address these major causes and create a corrective action plan.

INTERNAL CONTROL OVER PAYMENTS

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

As part of our internal control environment, we have a well-established, agency-wide management control program as required by 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 Payment Oversight Board (IPOB) to ensure that we are focusing on improper payment prevention, formulating clear and innovative strategies, and driving timely results agency-wide. The IPOB's role is to serve as the corporate team to:

- Oversee all improper payment-related activities for the agency;
- Collaborate and shape strategy; and
- Resolve cross-component differences, address challenges encountered by staff, and drive timely results.

For additional information about our internal control environment, please refer to the *Systems and Controls* section of this FY 2016 *Agency Financial Report* and to the section of this improper payments report titled Risk Assessment and the section titled Sampling and Estimation.

**TABLE 3: STATUS OF INTERNAL CONTROLS
FY 2016**

Internal Control Standards	OASDI	SSI
Control Environment	3	3
Risk Assessment	3	3
Control Activities	3	3
Information and Communication	3	3
Monitoring	3	3

Legend:

1. Controls are not in place to prevent improper payments.
2. Minimal controls are in place to prevent improper payments.
3. Controls are in place to prevent improper payments but there is room for improvement.
4. Sufficient controls are in place to prevent improper payments.

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

- Internal controls over the effectiveness and efficiency of programs and compliance with applicable laws and regulations are operating effectively;
- Financial management systems are in conformance with government-wide requirements; and
- Internal controls over financial reporting are operating effectively.

We include the Acting Commissioner's annual statement of assurance, additional information of our review program, and our financial statement audit, in the *Systems and Controls* section of this FY 2016 *Agency Financial Report*. In addition, we include the auditors' report in the *Auditors' Report* section of this FY 2016 *Agency Financial Report*.

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

ACCOUNTABILITY

HUMAN CAPITAL TO SUPPORT IMPROPER PAYMENT WORKLOADS

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 2015 and FY 2016, our budgets increased and, as a result, we were once again able to increase the number of full medical CDRs that we process. In FY 2015, we completed over 799,000 full medical CDRs and approximately 2.267 million SSI redeterminations. In addition, we completed approximately 248,000 work CDRs in FY 2015. In FY 2016, we completed over 850,000 full medical CDRs and approximately 2.530 million SSI redeterminations. In addition, we completed approximately 285,000 work CDRs in FY 2016.

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.

The FY 2017 President's Budget will help enable us to eliminate the backlog of CDRs by the end of FY 2019 and prevent a new backlog from developing, which will help ensure that only those eligible for OASDI and SSI disability benefits continue to receive them. Assessments of the return on investment from CDRs completed in FY 2012 and earlier, establish that we achieve significant program savings with this workload. The Budget proposes the 2017 cap adjustment amount, as authorized in the *Bipartisan Budget Act of 2015*. The *Bipartisan Budget Act of 2015* authorized a net increase in new cap adjustment levels through 2021. We need adequate, sustained funding to continue to increase our program integrity efforts.

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

AGENCY INFORMATION SYSTEMS AND OTHER INFRASTRUCTURE

INFORMATION SYSTEMS

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

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

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

OTHER INFRASTRUCTURE

As required by law, we conduct pre-effectuation reviews on at least 50 percent of adult initial and reconsideration disability determination allowances made by the State disability determination services (DDS). We use a predictive statistical model to identify error-prone disability determinations, and we return deficient cases to the State DDS offices for corrective action. We estimate that the prevention of incorrect allowances and continuances of FY 2014 cases will result in lifetime savings (after all appeals) of:

- \$408 million in OASDI benefit payments;
- \$58 million in SSI Federal payments;
- \$213 million in Medicare benefits; and
- \$2 million in the Federal share of Medicaid payments.

For information about our internal control environment and our human capital to support improper payment workloads, please refer to the Internal Control Over Payments and Accountability sections.

BARRIERS

Our processes, policies, and regulatory and statutory requirements are complicated, which poses challenges in our administration of our programs. To meet the challenges of our growing workloads and provide the best service possible, we continue to streamline our policies and procedures and automate more of our business processes. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. The FY 2017 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.

ESTABLISH WORKERS' COMPENSATION INFORMATION REPORTING

Under this proposal, we would require States, local governments, private insurers, and other entities that administer workers' compensation and public disability benefits to report payment information to us. We would create a standardized reporting format, and develop and implement a system to collect and use the information to offset DI benefits and reduce SSI payments, as necessary. This proposal includes funding for developing and implementing the system. We currently rely on the disabled worker to report receipt of, and any changes to, workers' compensation and public disability benefits. The proposed required reporting and a system to receive the information timely are crucial to avoid improper payments that occur when we do not have information about the receipt or amount of workers' compensation and public disability benefit payments. Under the proposal, we would collect and provide pertinent information to the Secretary of the Department of Health and Human Services for child support enforcement.

MOVE FROM ANNUAL TO QUARTERLY WAGE REPORTING

This proposal would restructure the Federal wage reporting process by requiring employers to report wages quarterly instead of annually. The proposal would facilitate the implementation of automated enrollment of employees in existing workplace pensions. It could also improve program integrity and help reduce improper payments because more frequent reporting could provide more timely information we can use to administer our programs. Finally, increasing the frequency of wage reporting could enhance tax administration.

IMPROVE COLLECTION OF PENSION INFORMATION AND TRANSITION AFTER 10 YEARS TO AN ALTERNATIVE APPROACH BASED ON YEARS OF NON-COVERED EARNINGS

This proposal would require State and local government pension payers to identify and report if the pension paid to a former government employee is based on work that was not covered by Social Security. We would use this information to better administer WEP and GPO. The proposal includes \$70 million for administrative expenses, \$50 million of which would be available to the States to develop an automated data exchange to report this information to us.

In addition, the FY 2017 President's Budget proposes to transition, after 10 years, to an alternative approach in which we would adjust benefits based on the extent to which workers have non-covered earnings. We now collect data on non-covered employment and can calculate the offset without disclosure from the individual.

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

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

the monthly OASDI benefit when recovering an overpayment. The SSI program already uses the 10 percent rule to recover overpayments.

RECAPTURE OF IMPROPER PAYMENTS REPORTING

INFORMATION ON PAYMENT RECAPTURE AUDIT PROGRAM

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

TABLE 4: OVERPAYMENT PAYMENT RECAPTURES WITH AND WITHOUT RECAPTURE AUDIT PROGRAMS
(DOLLARS IN MILLIONS)

Overpayments Recaptured through Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amount Identified (FY 2016)	\$11,950.25	\$12,811.96	\$3.86	\$4.23	\$24,770.30
Amount Recaptured (FY 2016)	\$2,050.96	\$1,238.29	\$2.42	\$4.19	\$3,295.86
FY 2016 Recapture Rate	17%	10%	63%	99%	13%
FY 2017 Recapture Rate Target	16%	10%	100%	100%	13%
FY 2018 Recapture Rate Target	16%	10%	100%	100%	13%

Overpayments Recaptured outside of Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amounts Identified (FY 2016)	\$0.00	\$0.00	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	\$1.60
Amounts Recaptured (FY 2016)	\$0.00	\$0.00	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	We do not have separated totals for payroll and benefits or vendor and travel. See Total column.	\$0.98

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 2016. 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 2016 recoveries from debt we had available for recovery in FY 2016, which include debts identified in prior years.
4. Both the Amounts Identified and Amounts Recaptured for benefit payments are based on 53 weeks of data. For more information, please refer to the section of this improper payments report titled Agency Efforts to Collect Overpayments in the OASI, DI, and SSI Programs.
5. We do not consider every overpayment improper according to the definition contained in IPIA.
6. The recapture rate target for benefit payments is based on FY 2016 and prior years' experience and the anticipated growth of our benefit payments in FY 2017 and FY 2018.
7. This table comprises all identified and recovered administrative overpayments from our internal payment recapture audit program for administrative payments. These administrative payments are stated under the table heading titled "Other."
8. Totals for Amount Identified (FY 2016) and Amount Recaptured (FY 2016) for administrative payments are from our internal payment recapture audit in FY 2015. Overpayments identified or recaptured in FY 2015 include debt established in prior years.
9. For the overpayments recaptured outside of payment recapture audits, the totals are derived from multiple sources and mainly include identified and recovered administrative overpayments from sources other than our in-house recovery audit program for vendor and employee travel payments and our payment accuracy reviews for payroll and benefits payments, which we discuss in the Recapture of Improper Payments Reporting section of this improper payments report. We do not have separated totals for payroll and benefits or vendor and travel.
10. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2015 but could have occurred in a prior year.
11. There may be slight variances in the dollar amounts and percentages due to rounding of the source data.
12. We return all amounts recaptured to the original appropriation from which the payment was made.

BENEFIT PAYMENTS

PAYMENT RECAPTURE AUDIT PROGRAM

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

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

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

PAYMENT RECAPTURE AUDIT REPORTING

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

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

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
- The debt has been discharged in bankruptcy; or
- The debtor has requested a waiver or review of the debt and the agency determines that such request is credible.

PROGRAM RECOVERY TARGETS

IPERA guidance requires that agencies establish annual targets for their payment recapture audit programs that will drive their annual performance. The targets represent the rate of recovery (i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified). As shown in Table 4, we determine our payment recapture recovery targets for benefit payments for FY 2017 and FY 2018 based on our FY 2016 experience. Certain uncontrollable factors affect our payment recapture recovery targets. For example, the state of the economy affects the availability of employment. We generally experience greater collections from our external debt collection tools when jobs are abundant and former OASDI beneficiaries and SSI recipients are working.

ADMINISTRATIVE PAYMENTS

INTERNAL PAYMENT RECAPTURE AUDIT PROGRAM

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

TABLE 4.1: FY 2015 ADMINISTRATIVE EXPENSES
(DOLLARS IN MILLIONS)

Payroll and Benefits	\$6,659
State DDS	\$1,952
American Recovery and Reinvestment Act (ARRA)¹	\$63
Other Administrative Expenses²	\$3,588
Total Administrative Expenses	\$12,262

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.

OTHER INFORMATION

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

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

For FY 2015, 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 2015, we found approximately \$2.645 million in improper payroll overpayments out of \$6,659 million payroll payments, which yielded a 0.040 percent improper overpayment rate. We return all amounts recovered to the original appropriation from which the overpayment was made.

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

- An automated query system to identify duplicate payments made to the same vendor, with the same invoice date, and for the same amount;
- An annual payment accuracy review examining select criteria on a random sample of payments to identify improper payments or weakness in the internal payment recapture audit program; and
- A risk assessment of administrative payment systems and recovery of any overpayments identified in this process.

In FY 2015, we reviewed \$1.69 billion in vendor and travel payments out of \$1.75 billion subject to review. We elected to exclude incomplete cost-type contracts from the scope of the recovery audit since they have payments that are interim, provisional, or otherwise subject to further adjustment by the Government in accordance with the terms of the contract.

We identified total vendor and travel improper overpayments of \$4.229 million, approximately 0.24 percent of total payments subject to review. As of the end of FY 2015, almost \$63,000 remained uncollected, which included amounts identified for recovery in prior years. The remaining receivables balance reflected the timing of when we issued the request for overpayment refund. Our recovery goal for all vendor and travel overpayments is 100 percent. We return all amounts recovered to the original appropriation from which the overpayment was made.

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

- The excluded payments are not usually susceptible to improper payments because they utilize interfaced systems that require little manual intervention and include strong system controls to prevent improper payments.
- In November 2011, we awarded a contract to a vendor to perform a payment recapture audit of all our administrative payments, including the Other Administrative Payments category. Of \$23,282 million payments reviewed (spanning three fiscal years), the auditors identified, and we confirmed and recovered, improper payments totaling \$29,191, approximately 0.00013 percent of the payments reviewed. The few improper payments identified were either vendor or DDS payments.

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

For ARRA payments, we rely on our OIG's audits of the ARRA funds as part of our payment recapture audit program for administrative payments. ARRA payments made up only 0.5 percent of our total administrative expenses in FY 2015.

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

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets realized;
- The debt has been discharged in bankruptcy; or
- The debtor has requested a waiver or review of the debt and the agency determines that the request is credible.

ADMINISTRATIVE PAYMENTS RECOVERY TARGETS

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

DISPOSITION OF PAYMENT RECAPTURE FUNDS

TABLE 5: DISPOSITION OF FUNDS RECAPTURED THROUGH PAYMENT RECAPTURE AUDIT PROGRAMS
(DOLLARS IN MILLIONS)

Program or Activity	Amount Recaptured	Type of Payment	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Other ¹	Original Purpose	Office of the Inspector General	Returned to Treasury
Benefit	\$3,289.25	Benefit	Not Applicable	Not Applicable	\$3,289.25	Not Applicable	Not Applicable	Not Applicable
Other	\$6.61	Administrative	Not Applicable	Not Applicable	\$6.61	Not Applicable	Not Applicable	Not Applicable

Note:

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

AGING OF OUTSTANDING OVERPAYMENTS

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

TABLE 6: AGING OF OUTSTANDING OVERPAYMENTS IDENTIFIED IN THE PAYMENT RECAPTURE AUDITS
(DOLLARS IN MILLIONS)

Program or Activity	Type of Payment	FY 2016 Amount Outstanding (0 to 6 Months)	FY 2016 Amount Outstanding (6 Months to 1 Year)	FY 2016 Amount Outstanding (Over 1 Year)	FY 2016 Amount Determined to not be Collectable
OASDI	Benefit	\$854.32	\$417.53	\$1,994.81	\$268.21
SSI	Benefit	\$725.13	\$483.04	\$3,553.32	\$350.38
Payroll and Benefits	Administrative	\$1.20	\$0.52	\$1.18	\$0.81
Vendor and Travel	Administrative	\$0.04	\$0.00	\$0.02	\$0.00
TOTAL		\$1,580.69	\$901.09	\$5,549.33	\$619.40

Notes:

- 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.
- Totals for administrative payments are from our internal payment recapture audit in FY 2015.

ADDITIONAL COMMENTS

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

In addition to our efforts to prevent and detect improper payments, we also have a comprehensive debt collection program. We collected \$3.289 billion in OASDI and SSI benefit overpayments in FY 2016 at an administrative cost of \$0.07 for every dollar collected. We collected \$16.69 billion over a 5-year period (FYs 2012-2016). Since 2004, our cumulative recoveries are \$37.63 billion for OASDI and SSI benefit overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and follow-up), as well as some external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. From 1992 through September 2016, our external collection techniques have yielded \$6.554 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 2016 *Agency Financial Report*.

We accumulate much of our debt recovery data based on an operating month rather than a true calendar month. An operating month ends on the last Friday of the calendar month. Each quarter of a normal operating year contains 13 weeks and the fiscal year contains 52 weeks. However, every 5 or 6 years, the fiscal year contains 53 weeks rather than the normal 52 weeks because the year is not evenly divisible by 7 days. FY 2016 is a 53-week fiscal year. Our program overpayment collection totals in this section show our fiscal year performance through the end of the 53rd week.

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

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

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

As authorized by Public Law 110-246, in May 2012, we enhanced ECO to collect delinquent debts through TOP beyond the previous 10-year statute of limitations. In April 2014, some members of the public alleged that they received no prior notice that Treasury would offset their eligible payments to recover their delinquent overpayments. In response to the allegations, effective April 14, 2014, our Acting Commissioner ordered a halt of TOP referrals for debts 10 years or more delinquent, pending a thorough review of our responsibility and discretion under the law. We concluded our review in July 2014. Through our review, we determined that we correctly applied our regulations, policies, and procedures when we referred delinquent debts to TOP. [Our OIG conducted a review of our use of TOP \(oig.ssa.gov/audits-and-investigations/audit-reports/A-04-14-14104\)](http://oig.ssa.gov/audits-and-investigations/audit-reports/A-04-14-14104) and concluded we complied with applicable laws and policies.

Continued improvement in other aspects of our debt collection program is underway. In FY 2016, we began planning and analysis of the Overpayment Redesign Initiative. Through this initiative, we will build a new comprehensive overpayment system that will enable us to record, track, collect, and report our overpayments more efficiently. We expect development of the Overpayment Redesign Initiative to be a multi-year effort. As resources permit, we will also expand the Non-Entitled Debtors (NED) program to collect additional debts from debtors who have never been entitled to OASDI benefits or SSI payments. We plan to develop the NED initiative in a series of releases. Currently, NED captures payments made to representative payees after the death of an OASDI beneficiary, and overpayments to representative payees prior to the death of the OASDI beneficiary for which the payee is responsible.

In the future, we also will implement the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value. 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. For example, we will assess which of these tools to pursue; e.g., penalties and fees or indexing debt balances, the impact on our current collection policies and procedures, our post-entitlement notices, as well as the need for new notices, and feasibility of resources to address development, implementation, and oversight from an information technology and operations impact perspective. We are also pursuing to modernize our remittance operation. Currently, individuals and third parties repay debt by either mail or telephone. We are developing multiple channels to receive remittances electronically. We plan to begin implementing our solutions in FY 2017.

COLLECTING DEBT

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

- Collect delinquent OASDI and SSI debts through TOP/State Reciprocal Program.
 - We implemented the required systems enhancements in 2013.
 - We began sending mandatory notification to delinquent debtors in October 2013, which was suspended during our review of using TOP.
- Overpayment Redesign.
 - We began the planning and analysis phase of this project in FY 2016.
- Remittance Modernization.
 - We completed planning and analysis on the Social Security Electronic Remittance System for the processing of remittances by the field offices for programmatic debt and will begin development in FY 2017.
 - We are currently in the planning and analysis phase on the adoption of electronic remittance options.
- Treasury Report on Receivables enhancements for OASDI and SSI.
 - We implemented systems enhancements to meet the reporting requirements of the *Digital Accountability and Transparency Act of 2014*.

AGENCY REDUCTION OF IMPROPER PAYMENTS WITH THE DO NOT PAY INITIATIVE

Section 5(a)(2) of IPERIA states that Federal agencies should review, prior to any payment and award, as appropriate, the databases within the Do Not Pay (DNP) Initiative. IPERIA Section 5(d)(3) also states that, by June 1, 2013, agencies must match their payments against DNP databases.

The Treasury DNP system data sources available during FY 2016 that are applicable to our OASDI and SSI benefit payments include the General Services Administration's (GSA) Excluded Parties List System (EPLS) and our public version of the Death Master File (DMF). Below we describe our use of EPLS and our production of the DMF and Prisoner Update Processing System; therefore, precluding our use of the Treasury DNP system at this time.

Excluded Parties List System: Prior to making an award to a contractor, we use GSA's System for Award Management to determine a contractor's eligibility. We do not award contracts to contractors who are debarred or suspended. We check the EPLS listing prior to the award to make this determination.

List of Excluded Individuals/Entities (LEIE): We currently comply with regulations to use LEIE, which accomplishes the same purpose as EPLS. As prescribed in our policy, the State DDS offices are required to check the LEIE at least annually. LEIE includes the names of providers excluded from federally funded health care programs. The DDS offices also verify medical licenses, credentials, and certifications with State medical boards. In addition, because the DDS offices are State agencies, they do not have direct access to DNP.

Death Master File: The DMF is a publicly available extract of death information created from our own internal records (i.e., the Numident). These records contain basic information, such as name, Social Security number (SSN), date of birth, and date of death of deceased SSN holders. We update death information on the Numident daily based on information from acceptable reporters (e.g., States, funeral homes, and family members). We distribute reported death information to our related records using a complex systems interface. Because our internal death data is more complete than the extracts, we do not use Do Not Pay for purposes of verifying death.

We produce both the publicly available DMF and a full file of death information. The full file of death information contains State-reported death data, which we only share with a limited number of Federal agencies as mandated by Section 205(r) of the *Social Security Act*. We provide the public DMF to the National Technical Information Service who in turn provides the file to DNP. The public DMF does not contain State death information.

Prisoner Information: To comply with the *Bipartisan Budget Act of 2013*, we collaborated with Treasury's Bureau of Fiscal Service (Fiscal Service) in FY 2014 to provide current prisoner information as related to DNP. We will share our prisoner information with Fiscal Service in two phases. We completed Phase 1 in August 2016, and began sharing our current prisoner information on a daily recurring basis. In Phase 2, we plan to provide additional data elements with prisoner information shared on a recurring basis. Between September 2014 and February 2015, we sent Fiscal Service 6.3 million prisoner files and over 7,000 facility files as baseline data for testing purposes. In September 2015, we sent an additional 1.1 million prisoner records to Fiscal Service, for Fiscal Service to send that data to the IRS for the upcoming 2015 tax season. In August 2016, we sent a final file with an additional 1.8 million prisoner records to Treasury Fiscal Service, for Treasury Fiscal Service to send to the IRS for the upcoming tax season. Because our Prisoner Update Processing Systems is more complete than the data available via DNP, we use our own internal data to verify incarceration.

OUR ACTIONS AND THEIR FREQUENCY TO PREVENT IMPROPER PAYMENTS

We have pre- and post-payment internal controls for our benefit payment records including:

Pre-payment Internal Controls: Benefit Payment Intercept Process

We continuously screen beneficiary payment records for any adverse information that prohibits issuing benefit payments (e.g., reliable reports of death, incarceration, and overpayments). When we identify these situations, we systematically intercept and hold the monthly benefit payments.

Historically, we have performed payment intercepts for each monthly payment cycle; however, we did not capture management information until FY 2014. The table below contains payment intercept information reported in October 2015 through September 2016. We report this data monthly to OMB.

**TABLE 7: RESULTS OF THE DO NOT PAY INITIATIVE IN PREVENTING IMPROPER PAYMENTS
OASDI PAYMENT INTERCEPTS
(DOLLARS IN MILLIONS)**

Type of Payment	Number of Payments Intercepted	Amount of Payments Intercepted	Number of Payments Disbursed	Amount of Payments Disbursed	Percent of Intercepted Payments	Percent of Intercepted Dollars
Death	559,184	\$707.16			0.078%	0.087%
Incarceration	8,480	\$8.23			0.001%	0.001%
Total	567,664	\$715.39	721,376,768	\$814,139.40	0.079%	0.088%

Notes:

1. This table represents OASDI payment intercepts for benefits payable September 2015 through August 2016.
2. The Percent of Intercepted Payments and the Percent of Intercepted Dollars represents the percentage of total payments before we apply our intercept process, not the percentage of total payments after we intercept payments.
3. Monthly reports are generated the month after the benefits are payable. For example, any payments intercepted from the August 2016 benefits are shown in the September 2016 intercept report.
4. If we discover a suspension or termination event after the creation of our payment files, our intercept process prevents issuance of that payment.

Similar to OASDI, prior to creating our payments files, we continuously check our SSI records for any adverse information that would prohibit issuing benefit payments. However, we do not capture management information on prevented improper payments for SSI.

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

- The Numident Death Match – This match identifies discrepancies between the Numident and our payment records, which results in monthly alerts that feed into the Death Alerts Tracking System (DATS). We use DATS to resolve these alerts and stop paying benefits, if appropriate.
- The Death Alert Control Update System – This system captures death data, which updates the Numident via batch processing.
- The Electronic Death Registration (EDR) process – This process allows us to receive death records electronically, which provides a timely method to verify and stop death benefits for the deceased beneficiary. The EDR process supports the Agency’s Strategic Goal, “Strengthen the Integrity of our Programs.” This includes minimizing improper payments by identifying and preventing erroneous payments after death, reducing erroneous death terminations, and improving our process of initial death reports. Death reports received timely greatly reduce the probability of improper payments to deceased beneficiaries.

RECOVERY OF OVERPAYMENTS DUE TO DEATH

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

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

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

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

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

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

This page was intentionally left blank.