Other Information

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

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

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

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

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2016

The Honorable Carolyn W. Colvin
Acting Commissioner

Dear Ms. Colvin:

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

Management and Performance Challenges

For Fiscal Year (FY) 2016, we identified the following seven management and performance challenges.

- Reduce Disability Backlogs and Improve Decisional Quality
- Reduce Improper Payments and Increase Overpayment Recoveries
- Improve Customer Service
- Modernize Information Technology Infrastructure
- Secure Information Systems and Protect Sensitive Data
- Strengthen the Integrity and Protection of the Social Security Number
- Strengthen Planning, Transparency, and Accountability

When we initially planned our audit work for FY 2016, we had two separate challenges to address our concerns with the disability and hearings processes - *Improve the Timeliness and Quality of the Disability Process* and *Improve the Responsiveness and Oversight of the Hearings Process*. To better reflect SSA's challenges with the overall management of the disability process, we recently decided to combine the challenges into one challenge titled *Reduce Disability Backlogs and Improve Decisional Quality*.

We further discuss the management and performance challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each identified challenge. For example, we used statistics reported by SSA and Office of the Inspector General audits of SSA's operations. We also used the FY 2016 independent auditor's report, which contained the results of SSA's financial statement audit. That audit concluded that SSA had two significant deficiencies in internal control.

The Office of Audit will continue focusing on these issues in FY 2017 and assessing SSA's operations and the environment in which SSA operates to ensure our reviews focus on the most salient issues facing the Agency.

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

Sincerely,

Gale Stallworth Stone
Acting Inspector General

Enclosure

Fiscal Year 2016 Inspector General Statement on the Social Security Administration's Major Management and Performance Challenges

November 2016

REDUCE DISABILITY BACKLOGS AND IMPROVE DECISIONAL QUALITY

CHALLENGE

While the number of pending initial disability claims has decreased, the Agency still faces challenges with pending hearings and appeals. Continued focus on decisional quality is essential to ensure the integrity of the process.

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

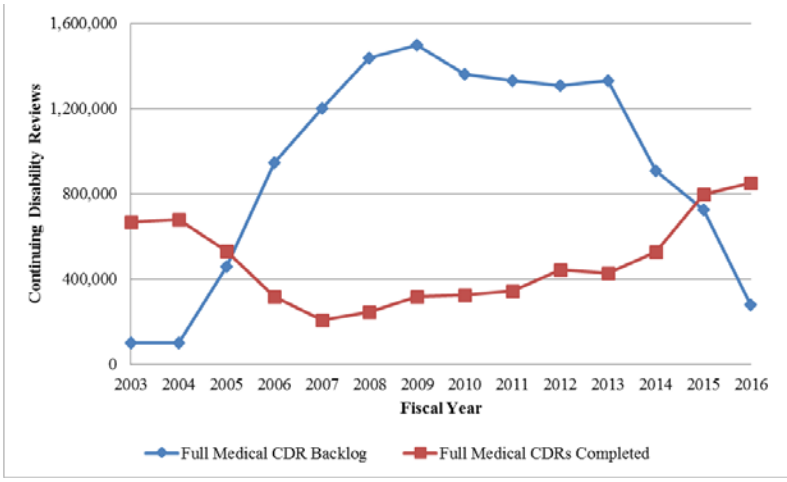
PENDING DISABILITY CLAIMS

While the number of pending claims has declined in recent years, SSA expects to have approximately 740,000 initial disability claims pending at the end of FY 2017. In FY 2016, SSA received over 2.6 million initial and approximately 648,000 reconsideration claims. Further, at the end of FY 2016, there were almost 568,000 initial disability claims pending.

CONTINUING DISABILITY REVIEW BACKLOG

The high number of initial disability applications in prior years has forced SSA to dedicate DDS resources to processing initial applications rather than conducting medical continuing disability reviews (CDR). As a result, SSA has had a backlog of full medical CDRs since FY 2002. While the backlog has decreased, it remained at 280,000 at the end of FY 2016. As we stated in our August 2014 report on *The Social Security Administration's Completion of Program Integrity Workloads*, SSA had a backlog because it had not completed all full medical CDRs when they became due. As a result, SSA missed potential savings. Had SSA conducted full medical CDRs at historic levels, we estimated it would have identified billions of dollars in additional Federal benefit savings. SSA increased the number of full medical CDRs completed in recent years and expects to eliminate the backlog by the end of FY 2019.

Figure 1: Full Medical CDR Backlog and Completions, FYs 2002 Through 2016



RETURN TO WORK

The *Ticket to Work and Work Incentives Improvement Act of 1999* established the Ticket to Work and Self-Sufficiency Program (Ticket Program). The purpose of the Ticket Program is to assist disabled beneficiaries in returning to work. Under the Ticket Program, SSA provides disabled beneficiaries a Ticket they can present to qualified organizations to obtain vocational rehabilitation or employment services.

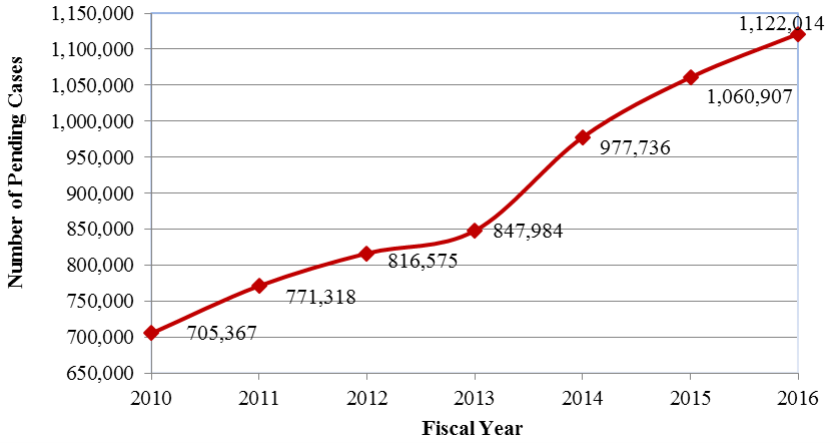
Few Ticket-eligible beneficiaries used their Tickets to receive vocational or employment services. For example, in FY 2015, less than 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in-use. Most of the individuals who used their Tickets placed them in-use with a State vocational rehabilitation agency under the cost-reimbursement option, the type of service that was in place before the Ticket Program was implemented. While few beneficiaries used their Tickets, SSA incurred significant costs to operate the Ticket Program. For example, SSA paid contractors over $234 million to help manage the Program since its inception. SSA will incur similar costs to help manage the Program in the future.

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

PENDING HEARINGS AND APPEALS

The hearings and appeals process has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased 27 percent from 426 days at the end of FY 2010 to 543 days at the end of 2016. Moreover, during the same period, the pending hearings backlog grew 59 percent, from 705,367 cases at the end of FY 2010 to 1,122,014 at the end of FY 2016. In addition, the Appeals Council workload had grown 21 percent since FY 2010 to about 129,000 pending appeals at the end of FY 2016, and average processing time during the same period increased about 13 percent from 345 to 389 days.

Figure 2: Pending Hearings, FYs 2010 Through 2016



In January 2016, the Office of Disability Adjudication and Review (ODAR) issued the *Compassionate and Responsive Service* (CARES) plan, which outlined 21 initiatives to address the growing number of pending hearings and increasing wait times. According to the CARES plan, ODAR's goal is to reach an average processing time of 270 days for hearings by the end of FY 2020. The CARES plan also includes a goal to process requests for Appeals

Council review in an average of 180 days. Since issuing the plan, ODAR has added six initiatives. These 27 initiatives relate to (1) business process improvements, (2) information technology (IT) innovations, (3) staffing and facilities, and (4) employee engagement activities.

AGENCY ACTIONS

COOPERATIVE DISABILITY INVESTIGATIONS

The Cooperative Disability Investigations program continues to be one of the Agency's most successful joint initiatives, combining the efforts of the Office of the Inspector General (OIG), SSA, DDSs, and State or local law enforcement personnel. As of the end of September 2016, the Cooperative Disability Investigations program had 38 units covering 33 States; Washington, D.C.; and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. From inception in FY 1998 through September 2016, Cooperative Disability Investigations program efforts nationwide have resulted in $3.5 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) disability programs and $2.4 billion to non-SSA programs. In FY 2016, Cooperative Disability Investigations program efforts nationwide resulted in $268.8 million in projected savings to SSA's OASDI and SSI disability programs and $323.1 million to non-SSA programs.

RETURN TO WORK

SSA reported that it focuses its employment support efforts on ensuring people who use those supports not only work, but work at their maximum capacity, reaching self-sufficient earnings whenever possible. SSA is working with other Federal agencies to develop early intervention demonstration proposals that would provide resources and support to workers who have disabilities to help them stay in the labor force as long as possible. For example, it is partnering with the Departments of Education, Labor, and Health and Human Services to implement Promoting Readiness of Minors on SSI. SSA is also working to simplify work incentive policies and improve such programs as the Ticket to Work program, and develop return-to-work demonstration proposals.

HEARINGS AND APPEALS

As part of its CARES plan, the Agency hired 264 new ALJs in FY 2016 to increase the number of available ALJs and replace departing ALJs. As for other initiatives in the CARES plan, the Agency used new technology to identify high-risk cases for review and hearing office support from other Agency components, expanded the use of pre-hearing conferences, and expanded the use of video hearings. In addition, ODAR continues focusing on decision quality through its ongoing review of pre-effectuated adjudicator allowances, monitoring of potential anomalies in ALJ workload performance, and monitoring the quality of ALJ denials and dismissals that were remanded or reversed in subsequent appeals.

WHAT THE AGENCY NEEDS TO DO

To address this challenge, the Agency needs to:

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

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

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

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

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's FY 2016 *Annual Performance Plan* related to this challenge are listed below.

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

KEY RELATED LINKS

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

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

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

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

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

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

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

REDUCE IMPROPER PAYMENTS AND INCREASE OVERPAYMENT RECOVERIES

CHALLENGE

SSA is responsible for issuing over $900 billion in benefit payments, annually, to about 65 million people. Given the large overall dollar amounts involved in SSA's payments, even the slightest error in the overall process can result in millions of dollars in over- or underpayments.

SSA is one of several Federal agencies that have a high amount of improper payments. In its FY 2016 *Agency Financial Report*, SSA reported it made about $7.9 billion in over- or underpayments in FY 2015 (the most recent year available) and incurred an administrative cost of $0.07 for every overpayment dollar it collected. SSA also needs to adhere to the requirements in Executive Order 13520, the *Improper Payments Elimination and Recovery Act of 2010* (Pub. L. No. 111-204), and *the Improper Payments Elimination and Recovery Improvement Act of 2012* (Pub. L. No. 112-248).

IMPROPER PAYMENT RATES

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

According to SSA, in FY 2015 (the most recent year available),

- the OASDI overpayment error was $3.1 billion or 0.36 percent of program outlays, and the underpayment error was $572 million or 0.07 percent of program outlays; and
- the SSI overpayment error was $3.4 billion or 6 percent of program outlays, and the underpayment error was $770 million or 1.36 percent of program outlays.

For FYs 2015 through 2017, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments; and, for SSI, the Agency's goal was to achieve over- and underpayment accuracy rates of 95 and 98.8 percent, respectively.

Table 1 shows that SSA has not met its payment accuracy targets in the last few years.

Table 1: Rates and Targets for Payments Without Overpayments FYs 2012 to 2015

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

COMPLIANCE WITH IMPROPER PAYMENT LEGISLATIVE REQUIREMENTS

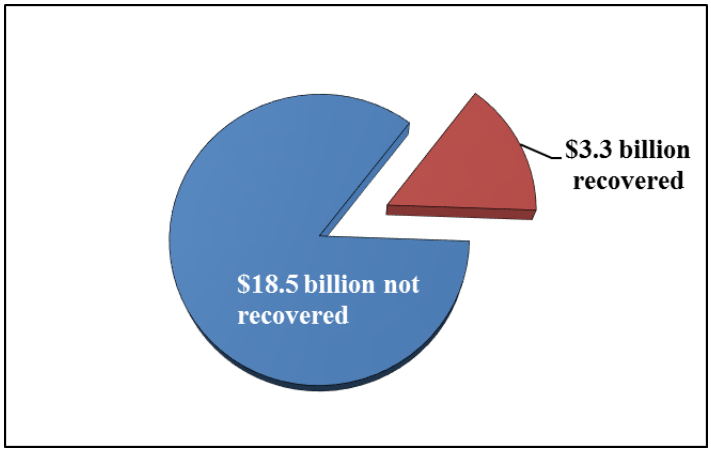
In November 2009, the President issued Executive Order 13520 on reducing improper payments. Later, the *Improper Payments Elimination and Recovery Act of 2010* and *Improper Payments Elimination and Recovery Improvement Act of 2012* were enacted in July 2010 and January 2013, respectively, to refine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

Both the OIG and Government Accountability Office noted in 2016 reports that SSA was not in compliance with the *Improper Payments Elimination and Recovery Act of 2010* requirements for meeting its targeted payment accuracy rates (which are shown in Table 1). Because of this noncompliance, SSA prepared remediation plans that outlined steps it plans to take to become compliant. For example, SSA's August 2016 *Improper Payments Elimination and Recovery Act Old-Age, Survivors, and Disability Insurance Remediation Plan* and its June 2016 *Improper Payments Elimination and Recover Act Supplemental Security Income Remediation Plan* included steps to identify and prevent overpayments due to wages—one of the leading causes of overpayments in both the OASDI and SSI programs.

OVERPAYMENT RECOVERIES

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2016, it recovered $3.3 billion in overpayments at an administrative cost of $0.07 for every dollar collected and ended the FY with an uncollected overpayment balance of $18.5 billion (see Figure 3).

Figure 3: Overpayments Recovered - FY 2016



AGENCY ACTIONS

IMPROPER PAYMENT CAUSES

One of the major causes of improper payments in the OASDI program is beneficiaries' failure to timely report earnings or SSA not timely withholding monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. Similarly, a major cause of improper payments in the SSI program is recipients' failure to accurately and timely report new or increased wages.

With the enactment of the *Bipartisan Budget Act of 2015*, SSA was given a new tool to obtain wage data sooner. A provision in this new law allows SSA to enter into information exchanges with payroll data providers to obtain wage data (without the need for independent verification) to efficiently administer OASDI and SSI benefits and prevent improper payments. It also allows the Agency to require that individuals provide authorization to obtain payroll data. SSA plans to publish regulations by November 2016 and implement a system in 2018.

DEBT COLLECTION TOOLS

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

CDRS AND REDETERMINATIONS

The CDR is a tool for reducing improper payments. Through completed CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. Available data indicate that SSA saves about $8 for every $1 spent on CDRs, including Medicare and Medicaid program effects.

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

WHAT THE AGENCY NEEDS TO DO

Identify and prevent improper payments through automation and data analytics. SSA needs to use available data to better identify changes that affect beneficiaries and recipients' benefit payments. For example, we have previously recommended that SSA use its own data to identify anomalies that suggest a beneficiary may be ineligible.

Expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when SSI recipients self-report information.

Accurately calculate overpayments and reconcile any data discrepancies between different systems that could lead to payment errors.

KEY RELATED PERFORMANCE MEASURES

The key improper payment related performance measures from SSA's FY 2016 *Annual Performance Plan* are listed below.

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

KEY RELATED LINKS

Federal Payment Accuracy Website.

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

OIG Report – Old-Age, Survivors and Disability Insurance Benefits Withheld Pending a Windfall Offset Determination (A-09-15-15041), March 2016.

OIG Report – Collecting Title II Overpayments from Contingently Liable Beneficiaries (A-07-16-50089), April 2016.

OIG Report – Underpayments Payable to Widow(er)s Eligible for a Higher Monthly Benefit Amount (A-09-14-34103), April 2016.

OIG Report – Supplemental Security Income Recipients Eligible for, or Receiving, Pensions from China (A-01-16-50011), June 2016.

IMPROVE CUSTOMER SERVICE

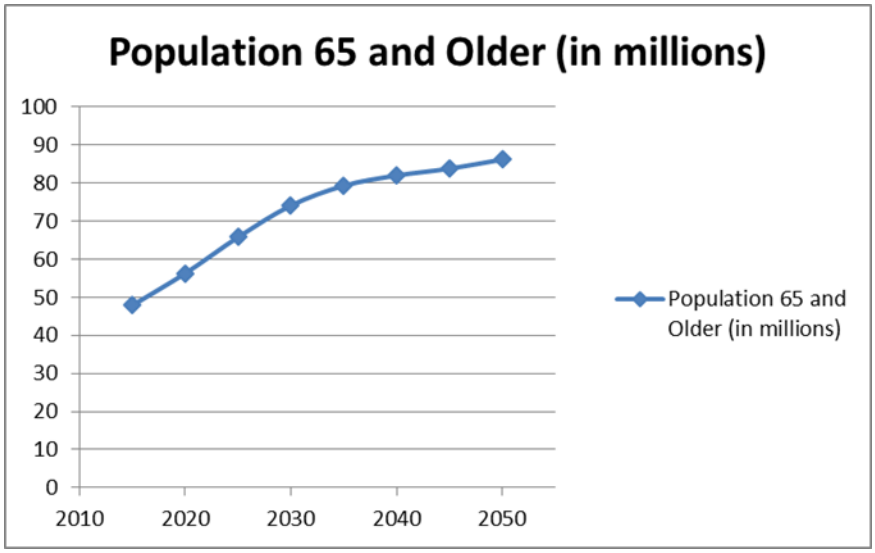
CHALLENGE

SSA faces several challenges as it pursues its mission to deliver quality services, including rapid advances in technology and an aging population and workforce.

INCREASE IN DEMAND FOR SERVICES

SSA stated that the population aged 65 and older would grow by about 18 million from FYs 2016 to 2025 and an additional 20.4 million by 2050 thereby dramatically increasing the demand for its services.

Figure 4: Aged 65 and Older Population Projections



In the FY 2016 Justification of Estimate for Appropriations Committees, SSA reported it would pay monthly Social Security benefits to approximately 69 million beneficiaries and recipients, a 6-percent increase from FY 2015 and 8.9-percent increase from FY 2014.

In addition to paying benefits, the Agency reported it completed the following workloads in FY 2016.

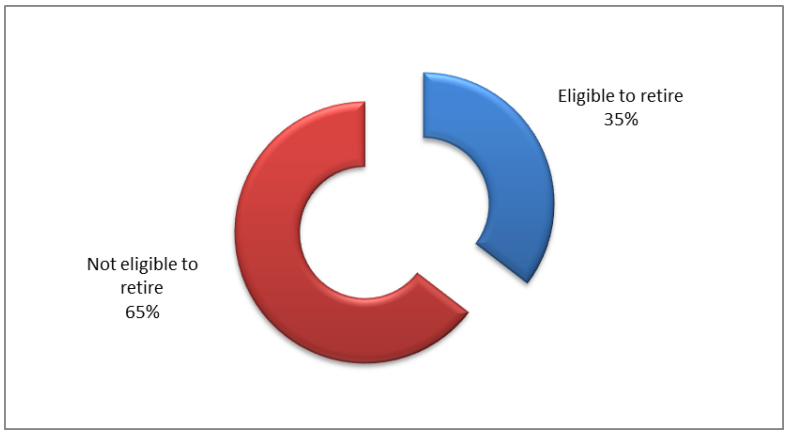
- Processed about 5.1 million retirement, survivors, and Medicare claims, and nearly 2.7 million initial disability claims.
- Completed nearly 667,000 disability reconsiderations and over 652,000 requests for hearings.
- Conducted about 2.5 million SSI non-medical redeterminations and 850,000 full medical CDRs.
- Completed approximately 16 million requests for new and replacement Social Security number (SSN) cards.

AGING WORKFORCE AND LOSS OF INSTITUTIONAL KNOWLEDGE

SSA continues to face significant service delivery challenges due to the aging of the baby boomer population and the expectation that many of its most experienced staff will retire in the near future.

While SSA estimates that the number of retirement and disability beneficiaries will increase from 59 million in 2016 to 75 million in 2025, it projects that more than one-third of its workforce will retire by 2022.

Figure 5: SSA Employees Projected to Retire by 2022



According to the Government Accountability Office's most recent *High-Risk Series* report, Federal agencies need to take additional steps to coordinate their efforts for (1) identifying and addressing mission-critical skills gaps and (2) making better use of workforce analytics that can be used to predict newly emerging skills gaps. The Government Accountability Office further states in its report, *OPM and Agencies Need to Strengthen Efforts to Identify and Close Mission-Critical Skills Gaps* that skills gaps in the Federal workforce can significantly impact agencies' ability to serve the public and achieve their missions.

ONLINE AND MOBILE SERVICE DELIVERY

Over the past few decades, advances in technology have revolutionized the business world, changing the pace of SSA's business processes. Because of these changes, the public expects to complete more business online. According to the Pew Research Center, the percentage of American adults who use the Internet increased from 52 percent in 2000 to 84 percent in 2015.

In addition, the rapid spread of mobile devices, ease of use, and growth in service provision via these devices will fuel expectations for mobile access to government services. Smart phones and other mobile devices may provide an opportunity to deliver online services to SSA customers who lack traditional Internet access in their homes.

REPRESENTATIVE PAYMENT PROGRAM

SSA appoints representative payees to manage the benefits of beneficiaries and recipients who are incapable of managing their own because of their age or mental or physical impairment. In January 2016, SSA reported that approximately 6.2 million representative payees were managing about $70 billion in annual benefit payments for about 8 million beneficiaries and recipients.

In March 2016, the Social Security Advisory Board released *Representative Payees: A Call to Action*, which outlines some of the issues facing the Representative Payment Program. It lays out the reasons for concern regarding the Program's administration and encourages further research. For example, according to the Social Security Advisory Board, one of the most worrisome aspects of the payee program is the absence of serious monitoring of the performance of payees. The Social Security Advisory Board reported that SSA conducted reviews for a small fraction of the universe of over 6 million payees during its FY 2015 onsite reviews.

In addition, our audits continue to identify problems with SSA's administration of the payee program. Most recently, we found

- representative payees continued serving as payees after determinations of benefit misuse without proper documentation as to why they continued to serve,
- some organizational payees did not have effective controls over the disbursement of underpayments received,
- SSA needed to improve its controls to prevent the selection of representative payees who were incapable of managing their own benefits, and
- high-volume representative payees collected unallowable and/or excessive fees.

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

- a former representative payee received benefits for children who had been removed from his care;
- a representative payee used several recipients' SSI payments to pay her credit card, cellular telephone, and utility bills; and
- a representative payee concealed a beneficiary's 10-year incarceration and continued receiving and spending his monthly benefit.

SSA acknowledges that representative payees play a significant role in many beneficiaries' lives, and it consistently explores ways to better identify, screen, and appoint representative payees.

AGENCY ACTIONS

SSA is implementing its long-term vision by incorporating several strategic goals to meet the public's changing needs. In addition, it continues to expand the use of online services that take advantage of technology and personalize the customer service experience. Finally, the Agency continues monitoring payees in the Representative Payment Program.

AGENCY'S EFFORTS TO IMPLEMENT VISION 2025

SSA developed *Vision 2025* to plan how it will serve customers in the future. One of the three priorities in Vision 2025 is superior customer service. SSA's *Annual Performance Plan for Fiscal Year 2017, Revised Performance Plan for 2016, and Annual Performance Report for Fiscal Year 2015* detailed the specific actions underway to transform the Agency to meet its future demands. The actions in that document align with the three vision priorities established in *Vision 2025*. However, one of our reviews found that, with this approach, SSA is using short-term strategic planning documents to support a broadly stated "aspirational vision."

INCREASING THE WORKFORCE

SSA recognizes that an aging employee base and increased employee turnover is a challenge for the future. In its *FY 2015-2017 Annual Performance Report*, the Agency reported that it had implemented such modernized recruitment strategies as social networking tools and promotion of workplace flexibilities like telework, hired a recruitment manager to support Agency recruitment efforts, and used Pathways Programs such as the Internship, Recent Graduates, and Presidential Management Fellows programs for recruitment. These programs enhance SSA's ability to attract and hire a talented and diverse workforce that reflects the public it serves.

ONLINE SERVICE DELIVERY

One of SSA's goals is to provide high quality and timely services while offering customers the convenience of interacting with it from anywhere. To provide a superior customer experience, SSA has developed the strategic objective to develop and increase the use of self-service options. SSA reported it

- launched the online Social Security Benefit Statement (i1099) that reduced mail requests by more than 60 percent,
- streamlined the online disability application by removing 25 duplicate data fields,
- released the online Social Security Number Replacement Card in selected states, and
- added new services to the *my* Social Security portal, including enhancements to Click-to-Callback and a new secure Message Center.

REPRESENTATIVE PAYMENT PROGRAM

SSA continues to identify representative payees that misuse funds. In its January 2016 report to Congress, SSA stated it conducted 2,852 payee reviews through face-to-face interviews. Based on its reviews, SSA identified 25 representative payees who misused beneficiaries' funds, removed 8 payees because the Agency found misuse occurred, and removed 19 payees because of poor performance.

In a May 2016 report, we stated that SSA needed to improve controls to ensure it does not make direct payments to concurrently entitled beneficiaries (that is, beneficiaries receiving payments under both the OASDI and SSI programs) who have a representative payee. We recommended that SSA conduct timely Master Beneficiary and Supplemental Security Records matches to identify and correct discrepant payment information. In response to our recommendation, SSA stated, as of June 2016, it was completing a data match to (1) identify concurrent beneficiaries who were receiving benefits through a payee for one benefit payment and direct payment for another benefit, (2) correct these discrepancies, and (3) avoid making direct payments to concurrently entitled beneficiaries who have a payee. According to the Agency, it plans to evaluate the results of the data match to determine the need and frequency of conducting future data matches.

WHAT THE AGENCY NEEDS TO DO

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

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

KEY RELATED PERFORMANCE MEASURES

Some of the key performance measures from SSA's FY 2016 *Annual Performance Plan* related to this challenge are listed below.

- Improve customer service and convenience by increasing online transactions by 25 million each year.
- Increase customer satisfaction with SSA services.
- Achieve the target speed in answering National 800-Number calls.
- Assess field and hearing office lease expirations and increase colocation of field and hearing offices to reduce SSA's physical footprint.
- Improve customer service by using IT to provide new online services to users of *my* Social Security.
- Enhance IT infrastructure by implementing innovative systems accessibility and performance capabilities.

KEY RELATED LINKS

SSA's Vision 2025.

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

SSA's Annual Performance Plan for Fiscal Year 2017, Revised Performance Plan for Fiscal Year 2016, and Annual Performance Report for FY 2015.

SSA's Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, Fiscal Year 2015.

SSA's FY 2017 Budget Overview.

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

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OIG Report – Volume Individual Representative Payees (A-15-16-50034), January 2016.

OIG Report – Agency Actions Concerning Misuse of Benefits by Organizational and Volume Individual Representative Payees (A-13-12-21247), February 2016.

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

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OIG Report – Concurrently Entitled Beneficiaries Receiving Representative Payee and Direct Payments (A-09-16-50093), May 2016.

OIG Report – Accounting for Large Underpayments Released to Organizational Representative Payees (A-02-15-13056), May 2016.

OIG Report – Beneficiaries Serving as Representative Payees Who Have a Representative Payee (A-09-16-50109), August 2016.

MODERNIZE INFORMATION TECHNOLOGY INFRASTRUCTURE

CHALLENGE

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

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

In FY 2016, SSA spent $1.5 billion on IT. According to SSA, budget constraints have forced it to use much of its IT funding to operate and maintain existing systems. To ensure SSA can keep pace with increasing workloads, the Agency must maintain its legacy systems while developing their modern replacements.

IT PHYSICAL INFRASTRUCTURE

One of SSA's recent major IT investments has been replacing its existing National Computer Center (NCC). The NCC had been in continuous operation as a data center since it opened in 1980 and, while its computing capacity has been expanded over the years, increasing workloads and expanding telecommunication services have severely strained its ability to support the Agency's business. SSA received $500 million from the *American Recovery and Reinvestment Act* to replace the NCC with a new National Support Center.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

Since SSA launched *my* Social Security in 2012, over 26 million customers have created accounts. According to SSA, in FY 2015, more than half of all Social Security retirement and disability applications were filed online, and customers completed over 87 million transactions using the Agency's Website. Still, the Agency saw over 40 million visitors in its field offices and handled about 37 million calls to its National 800-Number.

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

One of the Agency's priorities is to develop, and increase the use of, self-service options. To achieve that goal, SSA plans to rapidly expand the services available through its *my* Social Security online portal. For example, SSA plans to provide direct access to certain information and notices through its online services. In addition, the Agency is expanding the availability of an application to permit certain individuals to request replacement SSN cards online. In 2015, we evaluated SSA's Authentication Risk Assessment for the Internet Social Security Number Replacement Card Project and identified some concerns with the mitigating controls SSA plans to use for the application.

IMPLEMENTATION OF MAJOR IT PROJECTS

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

To simplify system support and maintenance, improve the speed and quality of the disability process, and reduce the overall growth rate of infrastructure costs, SSA plans to develop the Disability Case Processing System (DCPS), which, once implemented, will be used by all DDSs. However, the project has faced schedule delays and increasing stakeholder concerns.

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, we completed two reviews of the DCPS project in FY 2016. In the first, we concluded SSA did not sufficiently evaluate all alternatives for DCPS, such as phasing an existing system into all DDSs or procuring and modernizing one of the vendor-supported legacy systems. Without a comprehensive analysis of alternatives, the Agency could not be assured the chosen path was the best path to simplify system support and maintenance and reduce infrastructure costs—key objectives for the DCPS project. Furthermore, because SSA based some of its conclusions on high-level assessments and did not prepare detailed documentation, we were unable to independently evaluate the reasonableness of the Agency's cost and implementation estimates. As a result, we could not conclude that SSA's chosen path forward is most likely to result in the timely delivery of a cost-effective solution that meets users' needs.

In another review, we concluded that SSA's reported costs of $356 million for the DCPS project for the 8-year period ended September 30, 2015 were reasonably accurate. However, we noted issues with SSA's processes for capturing and reporting contractor and labor costs. While we did not consider these issues to be sufficiently significant to materially affect the overall DCPS cost figure, we believe they warranted SSA's attention.

AGENCY ACTIONS

IT MODERNIZATION PLAN

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

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

IT PHYSICAL INFRASTRUCTURE

Construction of the new National Support Center was complete in September 2014, and SSA began migrating systems to the new facility. In 2015, and again in 2016, our evaluations of SSA's efforts to transition its NCC operations to the new National Support Center did not identify any significant issues that threatened the project. SSA reported it completed migration in August 2016 on time and within budget.

DEVELOPMENT AND IMPLEMENTATION OF ELECTRONIC SERVICES

In FY 2016, SSA took steps to enhance its online services so they are more compatible with mobile devices. SSA also developed new customer engagement tools including Click-to-Callback and a Message Center for relaying informational messages to *my* Social Security users.

IMPLEMENTATION OF MAJOR IT PROJECTS

SSA has taken steps to get the DCPS project on track. In FY 2016, SSA continued developing a new DCPS product using an Agile framework, which promotes iterative development and close collaboration between users and software developers. In December 2016, the Agency plans to provide a pre-release of the software to three DDSs that will enable them to process a limited number of cases.

IT INVESTMENT PROCESS

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

WHAT THE AGENCY NEEDS TO DO

Prioritize and adequately fund IT modernization activities.

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

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's FY 2016 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 percent.
- Increase customer satisfaction with SSA's services.
- Improve customer service by using information technology to provide new online services to users of *my* Social Security.
- Enhance IT infrastructure by implementing innovative systems accessibility and performance capabilities.
- Provide uninterrupted access to SSA systems during scheduled times of operation.
- Provide secure and effective services to the public by improving cyber security performance.

KEY RELATED LINKS

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

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

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

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

SECURE INFORMATION SYSTEMS AND PROTECT SENSITIVE DATA

CHALLENGE

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

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

INFORMATION SECURITY PROGRAM

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

In our most recent report on SSA's compliance with the *Federal Information Security Modernization Act* (FISMA), we determined that SSA had established an information security program and practices that were generally consistent with FISMA requirements. However, we identified a number of deficiencies that may limit the Agency's ability to protect the confidentiality, integrity, and availability of SSA's information systems and data. The deficiencies identified in several FISMA reporting metrics—configuration management, identity and access management, risk management, and security training—are consistent with those that we have cited in prior reports on SSA's FISMA compliance.

SECURING ONLINE SERVICES

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

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

While expanding its inventory of electronic services, the Agency needs to ensure those services are secure. Prior investigative and audit work have identified multiple incidents of fraud committed through SSA's electronic services. For example, despite controls to prevent unauthorized access to *my* Social Security, we continue to receive fraud allegations related to *my* Social Security accounts.

We recognize that online services are an important component of SSA's strategy to deliver services to the public during a period of increasing workloads and constrained resources. Still, we believe SSA's primary responsibility must be to safeguard the sensitive information the American public has entrusted to the Agency. To ensure citizens' sensitive information is adequately protected, we believe it is imperative that SSA take steps to strengthen controls over access to *my* Social Security as soon as possible.

AGENCY ACTIONS

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

INFORMATION SECURITY PROGRAM

In FY 2016, SSA continued addressing the underlying issues of the significant deficiency in information security. For example, SSA implemented additional policies and procedures including, but not limited to, strengthening access controls and management of privileged accounts, prioritizing critical data inventory, and expanding penetration testing. In 2017, SSA plans to enforce that all employees and contractors log into its internal network using two-factor authentication (for example, using a physical badge and password). Two-factor authentication methods make it harder for unauthorized individuals to access SSA's network and systems and better protect sensitive data.

SECURING ONLINE SERVICES

On July 30 2016, SSA began requiring that individuals use multi-factor authentication to access its *my* Social Security portal. Customers were required to provide their cellular telephone numbers to which SSA would send a temporary code during the online registration process and each time the customer attempted to sign into his/her online account. However, SSA found that this requirement inconvenienced or restricted access to some of its customers. As a result, the Agency reversed course and again made multi-factor authentication for *my* Social Security optional, as it was before July 2016.

In FY 2016, SSA's new risk assessment for *my* Social Security determined that a higher degree of confidence is needed to ensure that users are who they claim to be. Now, SSA must identify and implement appropriate authentication and identity proofing technology to strengthen the security of *my* Social Security.

WHAT THE AGENCY NEEDS TO DO

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

Ensure the electronic services the Agency provides are secure.

KEY RELATED PERFORMANCE MEASURES

The key related performance measures from SSA's FY 2016 *Annual Performance Plan* are listed below.

- Improve customer service and convenience by increasing online transactions by 25 percent.
- Increase customer satisfaction with SSA services.
- Improve customer service by using information technology to provide new online services to users of *my* Social Security.

- Enhance IT infrastructure by implementing innovative systems accessibility and performance capabilities.
- Provide uninterrupted access to SSA systems during scheduled times of operation.
- Provide secure and effective services to the public by improving cyber security performance.

KEY RELATED LINKS

OIG Report - The Social Security Administration's Compliance with the Federal Information Security Modernization Act of 2014 for Fiscal Year 2015 (A-14-16-50037), November 2015.

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

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

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

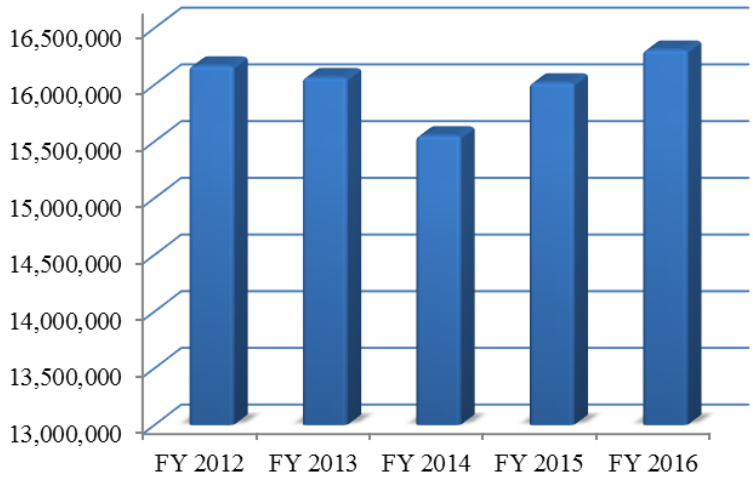
STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

CHALLENGE

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

As shown in Figure 6, SSA issued over 16 million original and replacement SSN cards in FY 2016. In addition, for Tax Year (TY) 2015, the Agency received and processed about 266 million wage items, totaling approximately $6.3 trillion in earnings. Protecting the SSN and properly posting the wages reported under SSNs are critical to ensuring SSN integrity and that eligible individuals receive the full benefits due them.

Figure 6: Original and Replacement SSN Cards Issued



SSN USE

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

SSN MISUSE

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

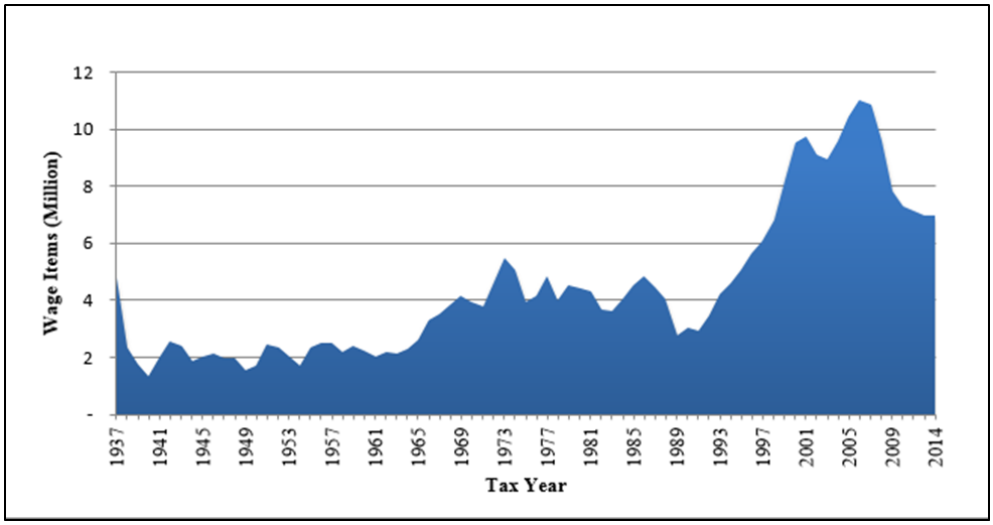
We remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States. We are also concerned that some individuals misuse SSNs for identity theft purposes. The Federal Trade Commission has estimated that as many as 9 million Americans' identities are stolen each year.

EARNINGS

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

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over $1.3 trillion in wages and 346 million wage items for TYs 1937 through 2014. As shown in Figure 7, in TY 2014 alone, SSA posted about 7 million wage items, representing $77 billion in wages, to the ESF. From TYs 2005 to 2014, the ESF grew by approximately $696 billion in wages and 85 million wage items, representing about half of the total wages in the ESF and one-quarter of the total wage items.

Figure 7: ESF Suspended Wage Items (1937 to 2014)



AGENCY ACTIONS

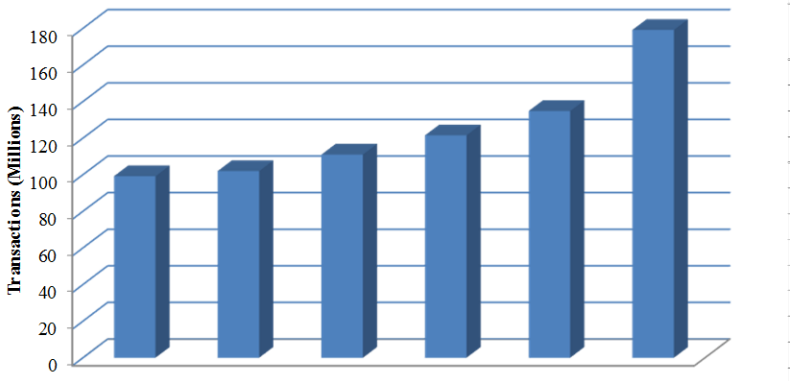
SSA has taken steps to streamline its enumeration process. For example, SSA released the Internet-based Social Security Number Replacement Card application in November 2015. This will allow SSA to reduce the number of replacement card requests in field offices and Social Security Card Centers. In FY 2016, SSA processed over 96,000 replacement card applications via Internet-based Social Security Number Replacement Card application. While we believe this initiative may enhance customer service, SSA must ensure it takes all necessary steps to minimize the risk of individuals fraudulently obtaining an SSN replacement card.

In addition, SSA has strengthened its policy for processing requests for the SSN printout and no longer provides SSN printouts to the public except in certain disaster situations. If an individual needs proof of his/her SSN and does not have an SSN card, he/she must request a replacement by completing an *Application for a Social Security Card* (Form SS-5) and providing the required documentation.

SOCIAL SECURITY NUMBER VERIFICATION SERVICE

SSA has taken steps to reduce the size and growth of the ESF. The Agency has offered employers the ability to verify the names and SSNs of their employees using the Agency's Social Security Number Verification Service, which is an online verification program, before reporting wages to SSA. In FY 2016, approximately 34,000 registered employers had submitted about 179.1 million verifications, see Figure 8.

Figure 8: Social Security Number Verification Service Verifications FYs 2011 Through 2016

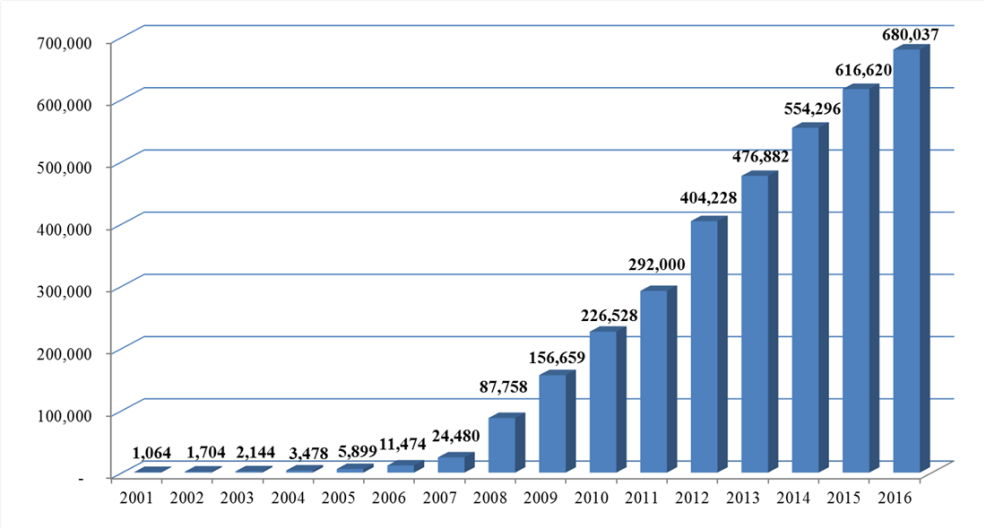


Fiscal Year	2011	2012	2013	2014	2015	2016
Transactions (Millions)	99.2	102	111	121.5	134.8	179.1
Employers	41,775	40,702	38,421	36,712	34,496	34,348
Mismatch Rate	3.77	3.38	4.28	5.6	6.3	5.14

E-VERIFY

SSA also supports the Department of Homeland Security in administering the E-Verify program, which assists employers in verifying the employment eligibility of newly hired employees. According to the Department of Homeland Security, over 680,000 employers have enrolled to use E-Verify, and since its inception in 2001, E-Verify's enrollment has steadily increased as shown in Figure 9. In FY 2016, more than 34.7 million queries were submitted.

Figure 9: Enrollment in E-Verify



WHAT THE AGENCY NEEDS TO DO

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

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

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

KEY RELATED PERFORMANCE MEASURES

The key SSN-related performance measure from SSA's FY 2016 *Annual Performance Plan* is listed below.

- Improve the accuracy and timeliness of the earnings data used to calculate benefits.

KEY RELATED LINKS

OIG Report – Kindergarten Through 12th Grade Schools' Collection and Use of Social Security Numbers (A-08-10-11057), July 2010.

OIG Report – Controls for Issuing Social Security Number Printouts (A-04-11-11105), December 2011.

Inspector General Testimony – Hearing on Social Security's Death Records, February 2012.

OIG Report – Noncitizens Issued Multiple Social Security Numbers (A-06-10-20155), December 2012.

OIG Report – Potential Misuse of Foster Children's Social Security Numbers (A-08-12-11253), September 2013.

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

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

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

OIG Report – Numberholders Age 112 or Older Who Did Not Have a Death Entry on the Numident (A-06-14-34030), March 2015.

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

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

OIG Report – Social Security Numbers Assigned to Diversity Visa Immigrants (A-08-15-15021), November 2015.

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

STRENGTHEN PLANNING, TRANSPARENCY, AND ACCOUNTABILITY

CHALLENGE

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

PLANNING

The Agency has long developed annual performance and multiple-year strategic plans, which include descriptions of the programs, processes, and resources needed to meet its mission and strategic objectives. We have previously noted that, while planning for the next few years is important, a longer-term vision is critical to ensuring the Agency has the programs, processes, staff, and infrastructure required to provide needed services 10 to 20 years from now and beyond.

SSA contracted with the National Academy of Public Administration (NAPA) to develop a vision and high-level strategic plan aimed at helping the Agency address the continuing service delivery challenges it may face. SSA used the Academy's report and additional stakeholder input to develop its *Vision 2025*, which it released in FY 2015. Per SSA, *Vision 2025* was a critical first step in planning how it will serve the public in the future. It presents three priorities: superior customer experience, exceptional employees, and innovative organization. These priorities will guide the development of goals, plans, and performance measures, which SSA will outline in its strategic plans and annual performance reports.

Vision 2025 does not include specific, measurable goals or outline the strategy needed to implement SSA's proposed vision. We believe SSA's long-term strategic vision should include specific, measurable goals that clearly outline the service delivery model SSA envisions in year 2025 and beyond, which would allow SSA to use its shorter term planning documents to outline the steps needed to achieve larger and clearly defined objectives. Also, while *Vision 2025* describes its future environmental drivers, it does not explain how they will affect SSA's ability to provide services in the future. Additionally, *Vision 2025* addresses many of the issues outlined in NAPA's plan for SSA, but NAPA's plan is more specific than *Vision 2025*. Most importantly, NAPA concludes that SSA needs to develop a more cost-effective service delivery system that is primarily virtual. *Vision 2025* does not choose one primary service delivery method and promises a service delivery system that will meet each customer's desire.

TRANSPARENCY

The Agency has a mixture of outcome and output performance measures on which it publicly reports. Some outcomes measure customer satisfaction, the timeliness of service or claims processing, or the accuracy of payments. Other performance measures appear to measure outcomes but really measure outputs. In these cases, SSA included a desired outcome in the wording of the performance measures, but it does not actually measure those outcomes. For example, one of SSA's performance measures is to "Improve the disability determination process by increasing the percentage of initial disability claims using electronically transmitted health records and medical evidence (Health IT)." While an increased number of claims using Health IT may improve the disability determination process, it may not. A better performance measure would measure whether claims using Health IT had better outcomes, like more accurate or timely disability determinations when compared to claims processed

without Health IT. Without an understanding of the outcomes associated with the use of Health IT, one cannot determine whether any investment in the increased use of Health IT is an effective use of SSA's resources.

SSA also has a number of output performance measures, such as budgeted workloads, including the completion of the budgeted number of full medical CDRs, SSI non-medical redeterminations, disability claims, and hearings requests. While measuring these workloads may be helpful for budgeting purposes, the performance measures do not inform a reader whether the completion of the workloads has positive outcomes. More useful performance measures would measure the outcomes of the workloads, like the dollars saved by identifying beneficiaries who were no longer disabled and, therefore, ineligible for benefits through the completion of CDRs. Measuring outputs, or steps in a process, does not inform the public whether SSA is achieving the outcomes it needs to efficiently and effectively provide its services and meet its mission.

ACCOUNTABILITY

SSA'S ANTI-FRAUD PROGRAMS

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

Additionally, SSA needs to prepare for new risk management requirements that will become effective in FY 2017. In July 2016, OMB issued Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* It states that management has overall responsibility for establishing internal controls to manage fraud risk. This includes reporting to the Agency's governance structure the actions the Agency has taken to manage fraud risks and the status of the Agency's Risk Profile. The Agency's Risk Profile must include an evaluation of fraud risks and use a risk-based approach to design and implement financial and administrative control activities to mitigate identified material fraud risks.

INDEPENDENT AUDITOR'S REPORT

The FY 2016 *Independent Auditor's Report* contained two significant deficiencies in internal control (refer to SSA's FY 2016 *Agency Financial Report* for the full text of the report).

The auditor identified four deficiencies in internal control that, when aggregated, were considered to be a significant deficiency in internal controls related to accounts receivable and overpayments.

- The auditor found that SSA's subsidiary ledgers did not agree with its general ledger balances, and SSA had a lack of internal controls over the routine reconciliation of subsidiary ledgers with the general ledger. In addition, the auditor identified control deficiencies related to the periodic testing of IT system programs to ensure accounts receivable information was accurate and complete.
- The auditor found errors in 30 percent, and missing documentation in 25 percent, of the overpayment sample items it selected for review.
- The auditor identified instances where employees did not fully comply with SSA polices, including retaining sufficient evidence to support a claim for overpayment.
- The auditor determined that, because of an SSA identified system's limitation, SSA is not tracking receivable overpayment installment payments that extend past the year 2049.

In addition, the auditor identified information system control deficiencies in four areas that, when aggregated, were considered to be a significant deficiency over information systems controls. The areas included the following.

- Threat and Vulnerability Management.
- IT Oversight and Governance.

- Change and Configuration Management.
- Access Controls.

AGENCY ACTIONS

PLANNING

SSA created an addendum to its *Agency Strategic Plan* for FYs 2014-2018 to show how the *Vision 2025* priorities aligned with the Plan's strategic objectives. The addendum also showed how the *Vision 2025* priorities aligned with SSA's major management priorities for FYs 2015-2016 (see Table 2). Per the addendum, the major management priorities were the Agency's first step in focusing and prioritizing the resources to realize *Vision 2025* and served as the first phase of the implementation of *Vision 2025*. The Agency reported it completed 90 percent of the activities to which it committed with the first eight critical management priorities and established new critical priorities for 2016-2017.

Table 2: Alignment of Vision 2025 Priorities to Major Management Priorities

Vision Priority	Major Management Priorities 2015 Through 2016	Major Management Priorities 2016 Through 2017
Superior Customer Experience	I. Enhance Online Customer Service II. Reduce Hearings Backlog III. Educate the Public About Social Security Programs	I. Advance Customer Engagement II. Advance Service Delivery in Our Disability Programs III. Enhance Knowledge of Social Security Retirement and Disability Programs IV. Enhance Quality and Payment Accuracy for our Customers
Exceptional Employees	IV. Improve Succession Management V. Promote Employee Development and Engagement	V. Invest in Our Employees
Innovative Organization	VI. Transform the IT Investment Process VII. Establish Program Management Model/Office VIII. Accelerate the Use of Data-Driven Decision-Making	VI. Upgrade Our Foundational Infrastructure VII. Modernize Our IT and Accelerate Data Driven Decisions

SSA also worked with a contractor to develop an execution strategy and roadmap to cover the 10-year period addressed by *Vision 2025*. The roadmap includes a more specific description of a future SSA, but the contractor's reports do not discuss how SSA's budget uncertainty and other environmental factors could affect the envisioned roadmap. The value of the contractor's work will be measured by whether SSA uses the guidance the contractor provided as it makes the changes needed to meet its mission and successfully serve its customers in the future.

TRANSPARENCY

In FY 2016, SSA provided its strategy and performance teams with performance-measure development training. Additionally, it implemented a new process for developing performance measures, with the goal of identifying the best indicators where data are available to measure progress in achieving the desired outcome of strategic objectives.

Per SSA, it will continue working toward developing more outcome-based performance measures as it moves forward with developing its next Agency Strategic Plan.

ACCOUNTABILITY

SSA has taken a number of steps to increase its anti-fraud activities. In November 2014, it established the Office of Anti-Fraud Programs to monitor the Agency's anti-fraud initiatives. The Office of Anti-Fraud Programs is developing the Anti-Fraud Enterprise Solution to identify high fraud risk areas that have the most significant impact to the Agency. Specifically, the Anti-Fraud Enterprise Solution will employ advanced data analytics to identify patterns that indicate fraud, improve functionality for data-driven fraud triggers, conduct real-time analysis, and integrate technology into SSA's anti-fraud business process. Once SSA completes its risk management work and establishes a risk tolerance(s), it can use the results of that work to build risk-scoring capabilities into the Anti-Fraud Enterprise Solution.

Once operational, the system will be the platform used by the Office of Anti-Fraud Programs to centralize agency level anti-fraud activities. According to SSA, the software and hardware system will use existing and emerging methods to prevent and detect fraud through data modeling and analytics. SSA also plans to apply a risk-based approach by using predictive modeling to prioritize program integrity and stewardship workloads. SSA expects the use of predictive modeling to help it identify and work cases with the greatest potential for improper payments.

Finally, the Acting Commissioner has made addressing the internal control significant deficiencies a priority.

WHAT THE AGENCY NEEDS TO DO

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

SSA needs to be more proactive in addressing and mitigating new fraud schemes and improving the design and operating effectiveness of anti-fraud measures.

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

KEY RELATED AGENCY PERFORMANCE MEASURES

The key planning, transparency, and accountability related measures from SSA's FY 2016 *Annual Performance Plan* are listed below.

- Assess field and hearing office lease expirations and increase colocation of SSA field and hearing offices to reduce SSA's physical footprint.
- Enhance security features and business processes to prevent and detect fraud.
- Strengthen workforce diversity by maintaining the representation of employees with targeted disabilities.
- Strengthen workforce competence by improving SSA's talent management index score.
- Become one of the Top 5 Best Places to Work among large agencies in the Government.
- Increase employee engagement as measured by the employee engagement index score.
- Lay the foundation for building a 21st century workforce by meeting or exceeding targeted Human Resources measures.

KEY RELATED LINKS

OMB Circular No. A-123, Management's Responsibility for Enterprise Risk Management and Internal Control, July 2016.

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

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

SSA's Annual Performance Report 2015 – 2017 (Annual Performance Plan for FY 2017, Revised Performance Plan for FY 2016, and Annual Performance Report for FY 2015).

SSA's Vision 2025.

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

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

OIG Report - The Social Security Administration's Financial Report for Fiscal Year 2015 (A-15-16-50025), November 2015.

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

OIG Report – The Social Security Administration's Financial Report for Fiscal Year 2016 (A-15-17-50155), November 2016.

OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

SUMMARY OF FINANCIAL STATEMENT AUDIT TABLE

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

SUMMARY OF MANAGEMENT ASSURANCES TABLE

Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control over Operations (FMFIA Section 2)						
Statement of Assurance	Unmodified					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

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

Compliance with Section 803(a) of the Federal Financial Management Improvement Act (FFMIA)		
	Agency	Auditor
1. Federal Financial Management System Requirements	No lack of compliance noted	No lack of compliance noted
2. Applicable Federal Accounting Standards	No lack of compliance noted	No lack of compliance noted
3. USSGL at Transaction Level	No lack of compliance noted	No lack of compliance noted

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

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

ENTITLEMENT REVIEWS

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

DISABILITY QUALITY ASSURANCE REVIEWS

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal years (FY) 2012 through FY 2016.

QUALITY ASSURANCE REVIEWS TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	98.5%	98.1%	98.1%	97.7%	97.6%
Number of cases reviewed	32,262	31,672	29,780	29,360	33,010
Number of cases returned to the DDS offices due to error or inadequate documentation	476	608	577	663	796

DI PRE-EFFECTUATION REVIEWS

We also perform pre-effectuation reviews of favorable DI and concurrent DI/SSI initial and reconsideration determinations using a profiling system to select cases for review. This profiling system helps ensure the cost-effectiveness of pre-effectuation reviews, and it satisfies the legislative requirement that the cases we review are those that are most likely to be incorrect. We also review a sufficient number of continuing disability review (CDR) continuance determinations to ensure a high level of accuracy in those cases. The following table shows the DI pre-effectuation accuracy rates for FY 2012 through FY 2016.

DI PRE-EFFECTUATION REVIEWS TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	97.4%	97.1%	96.9%	96.4%	95.8%
Number of cases reviewed	362,250	333,159	316,306	293,015	300,440
Number of cases returned to the DDS offices due to error or inadequate documentation	9,414	9,619	9,689	10,647	12,758

SSI PRE-EFFECTUATION REVIEWS

Following legislation enacted in February 2006, we began pre-effectuation reviews of favorable SSI initial and reconsideration adult determinations. As in DI cases, we also use a profiling system to select cases for review. The following table shows the SSI pre-effectuation accuracy rates for FY 2012 through FY 2016.

SSI PRE-EFFECTUATION REVIEWS TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Percent of State DDS decisions to allow not returned to the DDS offices for correction	97.9%	97.7%	97.6%	97.1%	96.9%
Number of cases reviewed	116,681	109,645	105,628	104,808	112,875
Number of cases returned to the DDS offices due to error or inadequate documentation	2,430	2,530	2,562	2,988	3,508

CONTINUING DISABILITY REVIEWS

Periodic CDRs are a key activity in ensuring the integrity of the disability program. Through CDRs, we determine whether beneficiaries continue to be entitled to benefits because of their medical conditions. We also conduct a quality review of those decisions. The following table shows the CDR accuracy rates for FY 2012 through FY 2016.

CDR ACCURACY TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overall accuracy	97.9%	97.2%	97.6%	96.7%	97.1%
Continuance accuracy	98.6%	98.0%	98.3%	97.3%	97.8%
Cessation accuracy	95.8%	95.1%	95.5%	95.0%	94.9%

OASDI AND SSI QUALITY ASSURANCE REVIEWS

Quality assurance reviews assess the accuracy of benefit payments. The following tables show the OASDI and SSI accuracy rates for FY 2012 through FY 2015. Please note that year-to-year differences are not statistically significant. Data for FY 2016 is not available at this time. We will report the FY 2016 data in our FY 2017 *Agency Financial Report.*

OASDI ACCURACY TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayment accuracy	99.8%	99.8%	99.5%	99.6%	Data not yet available
Underpayment accuracy	99.9%	99.9%	99.9%	99.9%	Data not yet available

SSI ACCURACY TABLE

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Overpayment accuracy	93.7%	92.4%	93.0%	93.9%	Data not yet available
Underpayment accuracy	98.2%	98.3%	98.5%	98.6%	Data not yet available

SSI REDETERMINATIONS

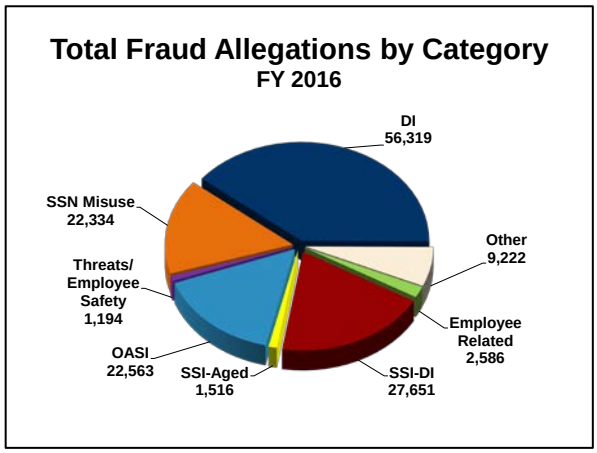
Once individuals become entitled to Social Security or SSI disability benefits, any changes in their circumstances may affect the amount or continuation of their benefits; therefore, we must reflect those changes in our records. SSI redeterminations are periodic reviews of non-medical factors to ensure that a recipient is still eligible for SSI payments and that we have paid and will continue to pay the recipient the correct amount. The following table shows the number of SSI redeterminations we completed for FY 2012 through FY 2016.

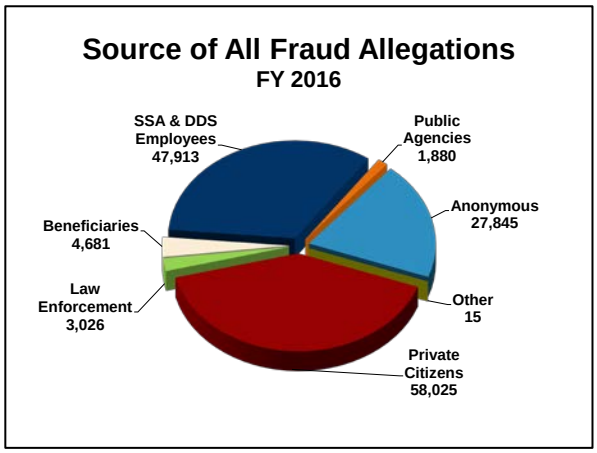
SSI REDETERMINATIONS TABLE
(IN MILLIONS)

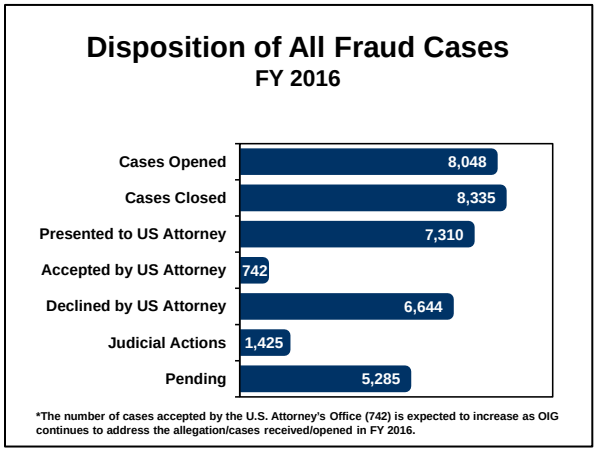
	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Number of redeterminations completed	2.624	2.634	2.628	2.267	2.530

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

In FY 2016, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice, and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.







CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The *Social Security Act* authorizes the Commissioner to impose a civil monetary penalty (CMP) for certain specific violations. Section 1129 of the *Social Security Act* authorizes a CMP against anyone who makes any false statements, misrepresentations, or omissions, who fails to report material information, and representative payees who commit conversions in connection with obtaining or retaining benefits or payments under Titles II, VIII, and XVI of the *Social Security Act*. Section 1140 of the *Social Security Act* authorizes CMPs to protect the public from fraudulent schemes that include misuse of Social Security symbols, emblems, or names. The Commissioner delegated authority to enforce both sections to the Inspector General.

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

CIVIL MONETARY PENALTY ADJUSTMENTS

Statutory Authority	Penalty	Year Enacted	Last Year of Adjustment (via statute or regulation)	Current Penalty Date of Adjustment	Current Penalty Level	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Section 206 (b), *Social Security Independence and Program Improvements Act of 1994*, P. L. 103-296, 108 Stat. 1509	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8)	1994	2016 (this is the first year of adjustment since enactment)	8/1/2016	$0-7,954 **OR** $7,954 (current maximum penalty)	SSA/OIG	Federal Register 81 (27, June 2016): 41,438-41,441 (www.federalregister.gov/documents/2016/06/27)
Section 813 (c), *Bipartisan Budget Act of 2015*, P. L. 114-74, 129 Stat. 603	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8)	2015	Not applicable (this CMP is new and has not been adjusted for inflation)	11/2/2015	$0-7,500 **OR** $7,500 (current maximum penalty)	SSA/OIG	Not applicable (this CMP is new and has not been adjusted for inflation)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10)	1988	2016 (this is the first year of adjustment since enactment)	8/1/2016	$0-49,467 **OR** $49,467 (current maximum penalty)	SSA/OIG	Federal Register 81 (27, June 2016): 41,438-41,441 (www.federalregister.gov/documents/2016/06/27)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10)	1988	2016 (this is the first year of adjustment since enactment)	8/1/2016	$0-9,893 **OR** $9,893 (current maximum penalty)	SSA/OIG	Federal Register 81 (27, June 2016): 41,438-41,441 (www.federalregister.gov/documents/2016/06/27)

BIENNIAL REVIEW OF USER FEE CHARGES

SUMMARY OF FEES

In FY 2015 and FY 2016, we earned $306 million and $314 million in user fees, respectively. This revenue accounted for less than one percent of our total financing sources. We derive over 74 percent of user fee revenues from agreements with 20 States and the District of Columbia to administer some or all of the States' supplemental SSI benefits. During FY 2016, we charged a fee of $11.56 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $11.68 for FY 2017. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

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

FREEZE THE FOOTPRINT

Office of Management and Budget (OMB) Memorandum M-12-12, *Promoting Efficient Spending to Support Agency Operations* (May 11, 2012), directed Executive Branch departments and agencies not to increase the size of their real estate inventory. Called Freeze the Footprint, this initiative established a baseline using each agency's total square footage as of FY 2012, per OMB Management Procedures Memorandum 2013-02, *Implementation of OMB Memorandum M-12-12 Section 3: Freeze the Footprint* (March 14, 2013).

The following information reflects the overall change in the agency's real property footprint from the FY 2012 baseline for Freeze the Footprint, as well as strategies we are pursuing to comply with the mandate.

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

SQUARE FOOTAGE TABLE

	FY 2012 Baseline	FY 2015 Baseline	Change from 2012 to 2015 Baseline	FY 2016	Change from 2015 Baseline
Freeze the Footprint Useable square feet	26,367,253	24,956,355	-1,410,898 or -5.3%	24,862,582[1]	-93,773 or -0.4%

Notes:

1. This is an agency estimate based on the final rent bill. Per GSA, GSA will no longer be providing final baselines for Freeze the Footprint moving forward.

OPERATION AND MAINTENANCE COST – OWNED AND DIRECT LEASE BUILDINGS TABLE

	FY 2012 Reported Cost	FY 2015	Change	FY 2016	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable

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

- Analyzing rent trend projections, while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;
- Optimizing space use by identifying and improving the overall use rate in new projects;
- Reviewing field and hearing office Federal building occupancies to determine if the current space meets our agency's business and mission needs based on current space standards and staffing levels;
- Pursuing field and hearing office collocation opportunities when it makes business sense and does not adversely affect customer service; and
- Continuing to phase in telework, which may present opportunities for future office space reductions.

DEBT COLLECTION AND MANAGEMENT

DEBT COLLECTION

We have a robust debt collection program to recover all types of overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding and billing/follow-up), as well as some of the external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (DCIA) for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. The following table provides a description of each of our external debt collection techniques for OASDI, SSI, and administrative overpayments, and a summary of the results. For more information on our agency's debt collection techniques, please refer to the *Improper Payments Information Detailed Report* immediately following this section.

CUMULATIVE PROGRAM AND ADMINISTRATIVE DEBT RECOVERY METHODS THROUGH FY 2016 TABLE
(DOLLARS IN BILLIONS)

Recovery Method	Inception	Description	OASDI	SSI	Administrative	TOTAL
Treasury Offset Program (TOP)	1992	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal salary offset. We collected $173.1 million in FY 2016 through this initiative.	$1.770	$1.135	$0.0003[1]	**$2.905**
Credit Bureau Reporting[2]	1998	We report delinquent debts owed by former OASDI beneficiaries and SSI recipients to credit bureaus. Credit bureau reporting contributed to the recovery of $88.6 million in FY 2016.	$0.606	$0.419	Not Applicable	**$1.025**
Cross-Program Recovery	2002	Cross-program recovery collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments. We collected $165.5 million through cross-program recovery in FY 2016.	$0.251	$1.599[3]	Not Applicable	**$1.850**
Non-Entitled Debtors (NED)[4]	2005	NED is an automated system used to control recovery activity for debtors who are not entitled to benefits (e.g., representative payees who receive payments after the death of a beneficiary). We used NED to recover $3.3 million in FY 2016.	$0.039	Not Applicable	Not Applicable	**$0.039**[4]
Administrative Wage Garnishment (AWG)	2005	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions) pay. We collected $8.8 million through this process in FY 2016.	$0.145	$0.028	Not Applicable	**$0.173**
Automatic Netting SSI	2002	This program automatically nets SSI overpayments against SSI underpayments. Using this program, we "netted" $138.1 million in FY 2016.	Not Applicable	$1.621	Not Applicable	**$1.621**

Notes:

1. Cross-Servicing is a consolidated government-wide program operated by the Department of the Treasury's Debt Management Services that fulfills the requirement of DCIA to collect delinquent, non-tax debt on behalf of Federal agencies. As required by DCIA, we must refer any eligible debt more than 180 days delinquent to the Bureau of the Fiscal Service for cross-servicing. Cross-Servicing incorporates debt collection tools such as AWG, credit bureau reporting, and private collection agency contracts.
2. The credit bureau reporting totals are a subset of TOP collections.
3. Starting in FY 2016, we record all collections via cross-program recovery, not just a subset.
4. NED is a subset of TOP and AWG collections.

DEBT MANAGEMENT

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

We identified a system limitation in the processing of certain overpayments. In July 2011, the Government Accountability Office (GAO) issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." In that audit, GAO identified an OASDI system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond the year 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 57,000 debts are affected by payment plans extending beyond the year 2049. We estimate the total gross value of the post year 2049 receivable amounts is approximately $663 million. This amount is not material to the consolidated financial statements.

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

DEBT MANAGEMENT ACTIVITIES
PROGRAM AND ADMINISTRATIVE TABLE
(DOLLARS IN MILLIONS)

	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
Total receivables	$16,588	$17,046	$18,252	$19,361	$21,014
New receivables	5,955	5,616	5,976	5,865	6,420
Total collections	(3,663)	(3,817)	(3,686)	(3,692)	(3,604)
Adjustments	(536)	(391)	(309)	(446)	(536)
Total write-offs	(1,022)	(950)	(775)	(618)	(627)
- Waivers	(502)	(421)	(373)	(342)	(275)
- Terminations	(520)	(529)	(402)	(276)	(352)
Non delinquent debt	11,589	11,268	11,895	12,210	12,984
Total delinquent debt	$4,999	$5,778	$6,357	$7,151	$8,030
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	69.9%	66.1%	65.2%	63.1%	61.8%
- Delinquent	30.1%	33.9%	34.8%	36.9%	38.2%
% of debt estimated to be uncollectible*	27.3%	26.3%	25.5%	24.2%	42.7%
% of debt collected	22.1%	22.4%	20.2%	19.1%	17.2%
% change in collections from prior fiscal year	0.8%	4.2%	-3.4%	0.2%	-2.4%
% change in delinquencies from prior fiscal year	7.2%	15.6%	10.0%	12.5%	12.3%
Clearances as a % of total receivables	28.2%	28.0%	24.4%	22.3%	20.1%
- Collections as a % of clearances	78.2%	80.1%	82.6%	85.7%	85.2%
- Write-offs as a % of clearances	21.8%	19.9%	17.4%	14.3%	14.8%
Other Analysis					
Cost to collect $1	$0.07	$0.07	$0.07	$0.07	$0.07
Average number of months to clear receivables:					
- OASI	15	15	15	16	17
- DI	49	66	55	62	55
- SSI	36	38	39	43	42

Note:

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

Definitions:

1. Adjustments – Program debt adjustments represent: (a) written-off debts, by way of terminations, that we reinstate for collections; (b) changes in debts when we update debtor accounts with new information; and (c) minor differences between reports containing debt information that we use to maintain an ending accounts receivable balance.
2. Waivers – Waivers represent the amount of overpayments forgiven because the overpaid person: (a) is without fault in causing the debt; and (b) recovery would either defeat the purpose of the act or be against

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

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

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

FY 2016 QUARTERLY DEBT MANAGEMENT ACTIVITIES
PROGRAM AND ADMINISTRATIVE TABLE
(DOLLARS IN MILLIONS)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$19,343	$19,604	$20,125	$21,014
New receivables	1,116	2,460	4,084	6,420
Total collections	(903)	(1,715)	(2,569)	(3,604)
Adjustments	(102)	(240)	(355)	(536)
Total write-offs	(129)	(262)	(396)	(627)
- Waivers	(67)	(136)	(205)	(275)
- Terminations	(62)	(126)	(191)	(352)
Aging schedule of debts:				
- Non delinquent debt	11,594	11,878	12,256	12,984
- Delinquent debt				
- 180 days or less	1,686	1,447	1,438	1,581
- 181 days to 10 years	5,349	5,533	5,644	5,654
- Over 10 years	714	746	787	795
- Total delinquent debt	$7,749	$7,726	$7,869	$8,030

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* (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 (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) and Windfall Elimination Provisions (WEP) (a definition of WEP is available at: www.socialsecurity.gov/pubs/EN-05-10045.pdf);
- Identify potential entitlements;
- Increase post-entitlement accuracy;
- Enhance debt collection policy and practices; 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).

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:

1. 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.
2. OASDI outlays 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. 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.
5. 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.
6. 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.
7. Please note that year-to-year differences are not statistically significant.
8. 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)

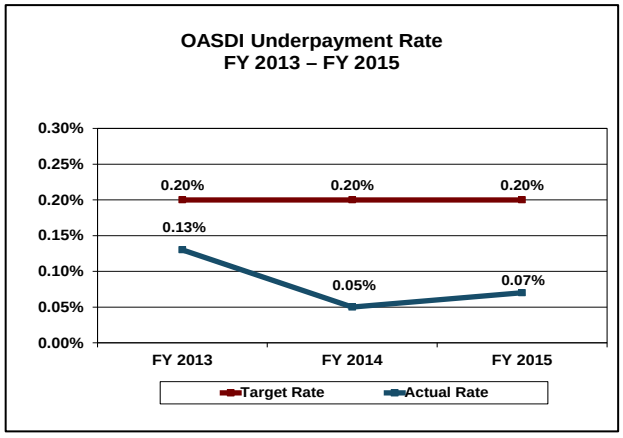
	FY 2013		FY 2014		FY 2015	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	$692,672.98		$720,351.38		$712,644.02	
Underpayment Error	$682.09	0.10%	$291.26	0.04%	$371.62	0.05%
Overpayment Error	$1,108.75	0.16%	$2,962.06	0.41%	$1,575.47	0.22%
DI						
Total Benefit Payments	$131,518.38		$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.

5. 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.
6. 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.
7. 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) and WEP and GPO errors continue to impact the overall error rates as the leading causes of error.



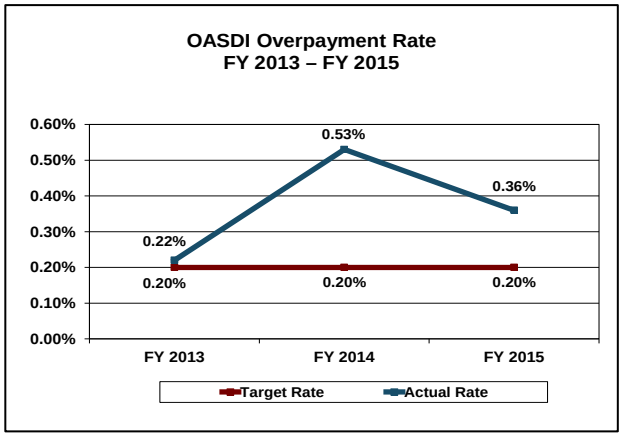


Table 1.2 presents our accuracy targets for FYs 2016, 2017, and 2018 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent accuracy rate for program payments.

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:

1. 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.
2. FY 2016 data will not be available until late April 2017; therefore, the rates shown for FY 2016 are targets.
3. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.
4. 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.

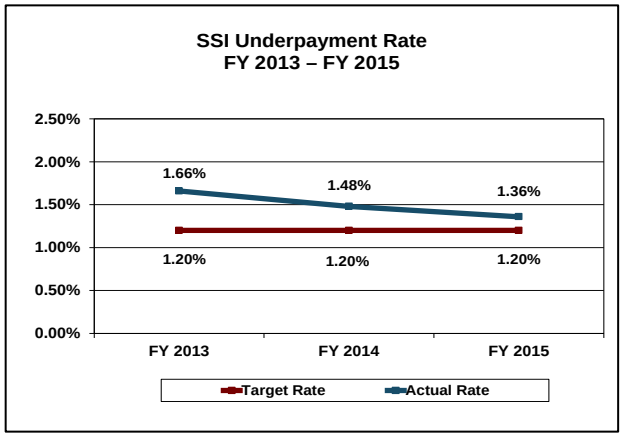
TABLE 1.3: SSI IMPROPER PAYMENTS EXPERIENCE
FY 2013 – FY 2015
(DOLLARS IN MILLIONS)

	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:

1. Total federally administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
2. FY 2016 data will not be available until late April 2017; therefore, the rates shown for FY 2016 are targets.
3. 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.
4. 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.
5. 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.



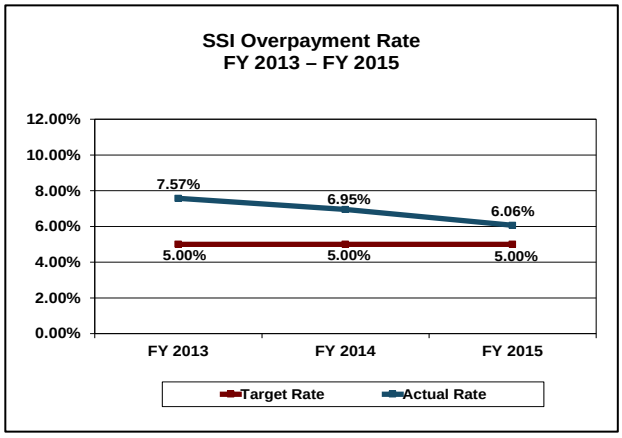


Table 1.4 shows our target accuracy goals for FYs 2016, 2017, and 2018 for the SSI program.

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
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility			
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability section of this improper payments report for information on our program savings.	By September 30, 2016, complete the budgeted amount of 2.522 million SSI non-medical redeterminations.	In FY 2016, we completed approximately 2.530 million SSI redeterminations.	Monthly
Overpayment Due to Unreported Wages			
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. **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.	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.	In FY 2016, we received 1,046,757 monthly wage reports, a 16.76 percent increase over FY 2015.	Monthly

TABLE 1.6: SSI – SUPPLEMENTAL MEASURES AND TARGETS FY 2017

Type of Error	Targets	Actuals	Reporting Frequency
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility			
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability section of this improper payments report for information on our program savings.	By September 30, 2017, complete the budgeted amount of 2.822 million SSI non-medical redeterminations.[1]	FY 2017 actual information not yet available.	Monthly
Overpayment Due to Unreported Wages			
Cause: Beneficiaries, representative payees, and deemors fail to report their new or increased wages. **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.	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.	FY 2017 actual information not yet available.	Monthly

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
Overpayment/Underpayment Due to a Change That Affects Payment Amount of Eligibility			
Cause: Beneficiaries fail to report a change that affects payment amount or eligibility. **Program Savings:** Refer to the Accountability section of this improper payments report for information on our program savings.	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.	FY 2018 actual information not yet available.	Monthly
Overpayment Due to Unreported Wages			
Cause: Beneficiaries, representative payees, and deemors fail to report their new or increased wages. **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.	By FY 2018, increase the number of wage reports we process using SSITWR and SSIMWR by 6 percent over the number in FY 2017.	FY 2018 actual information not yet available.	Monthly

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)

	OASDI Program		SSI Program		DRAA	
Reason for Improper Payment	**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

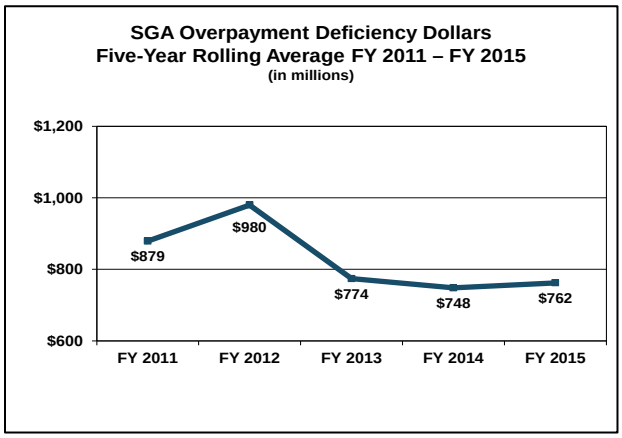
Our stewardship review findings over the last five years show that the major causes of overpayments in the OASDI program are SGA and errors in computations. The major cause of underpayments is errors in computations.

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
Audit Recommendation		
To minimize improper payments, we agreed with an audit recommendation to prioritize identifying cases where we failed to terminate the disability payments following medical cessation determinations.	Ongoing	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.
Predictive Model		
We have developed Work Smart. The Work Smart process identifies Social Security disability beneficiaries whose earnings put them at risk for receiving overpayments. The process builds on the current Continuing Disability Review Enforcement Operation (CDREO) by integrating quarterly work CDR alerts based on quarterly earnings from the Office of Childhood Support Enforcement (OCSE) into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process.	Ongoing	The national screening program within Work Smart ran in June 2016. We removed approximately 700,000 unproductive CDR alerts from the current CDREO process. The quarterly work CDR alerts based on OCSE data will be released nationally in November 2016.

Description	Target Completion	Status
Legislation and Legislative Proposals		
The *Bipartisan Budget Act of 2015* 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.	November 2017	To implement the *Bipartisan Budget Act of 2015* authority, we have convened a cross-agency project team to collaborate on implementing the *Bipartisan Budget Act* Section 824 and other wage-related *Bipartisan Budget Act* 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.
The *Bipartisan Budget Act of 2015* requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	September 2017	Development will continue, and we expect to implement by the end of FY 2017.
The *Bipartisan Budget Act of 2015* 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.	September 2017	We expect to implement by the end of FY 2017.
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.	Pending	No Congressional action to date.

COMPUTATIONS

DESCRIPTION:

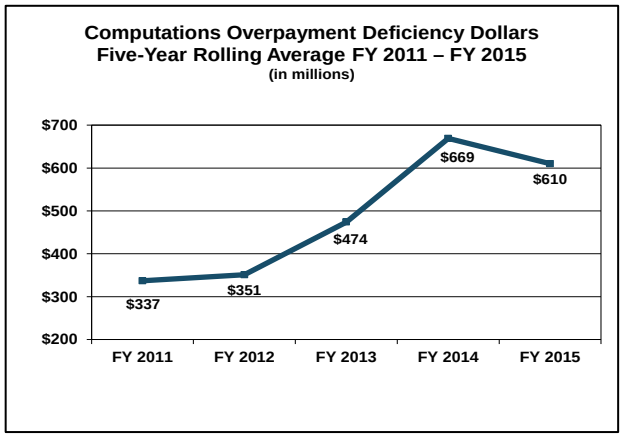
While steadily declining, errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

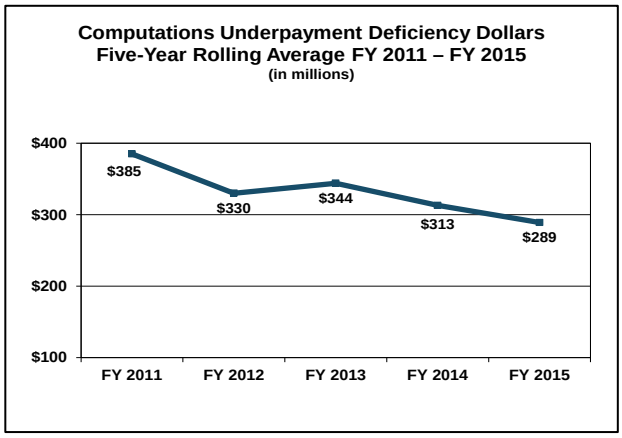
We determine a person's benefit amount based on several factors, including age, earnings history, and the type of benefit awarded.

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:

- 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.	Completed September 2014 Completed March 2014 Completed FY 2016	In FY 2014 and FY 2015, we evaluated the following initiatives: • Outstanding Potential Entitlement Referral Account Cases: We identified SSI recipients who are potentially entitled to OASDI benefits. o 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. o 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. o 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). o In FY 2015, we notified approximately 30,000 SSI recipients that they might be entitled to a veteran's pension. o 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.

Description	Target Completion	Status
Pursue potential entitlement workloads (continued).	FY 2017	• In December 2014, we issued notices to over 25,000 individuals entitled as spouses who may be eligible for higher benefits on their own records. Through August 2015, approximately 11,730 of those that received notices filed for or are receiving benefits on their own account. The average monthly increase to those beneficiaries is approximately $333. o In May 2016, we mailed 9,500 notices to individuals entitled as spouses who may be eligible for higher benefits on their own records. Based on a review of the population that received these notices, by the end of FY 2016, 4,092 claimants had filed for and are receiving benefits on their own record. The average monthly increase to those beneficiaries is approximately $397. o Starting in the first quarter of FY 2017, we will notify individuals entitled as spouses who may be eligible for higher benefits on their own records on a biannual basis.
	Completed October 2016	• We have developed a process for addressing all 80 items on the original Potential Entitlement workload list and have defined deliverables for each stage of that process. We processed FY 2015 potential entitlement workloads, and when applicable, identified possible root causes of the missed entitlements to prevent recurrence. o In FY 2016, we completed three outreach efforts, implemented three Information Technology Investment Process proposals, and completed analysis on six additional Potential Entitlement projects that address various issues for vulnerable populations that include veterans, widows, and disabled and minor children.

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).

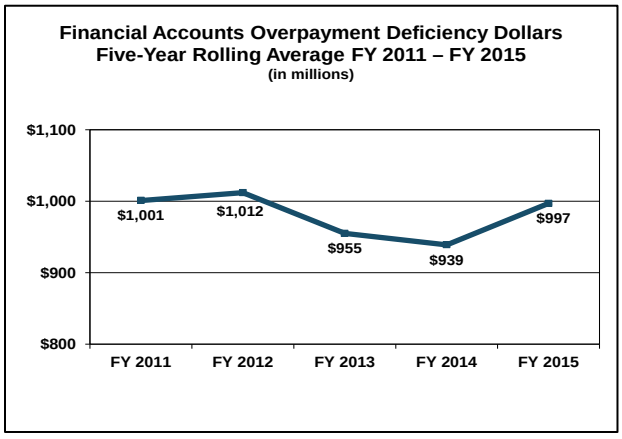
Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in ISM, living arrangements, and wages. Later in this section, we provide information on our corrective actions for living arrangements under the corrective action for wages.

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

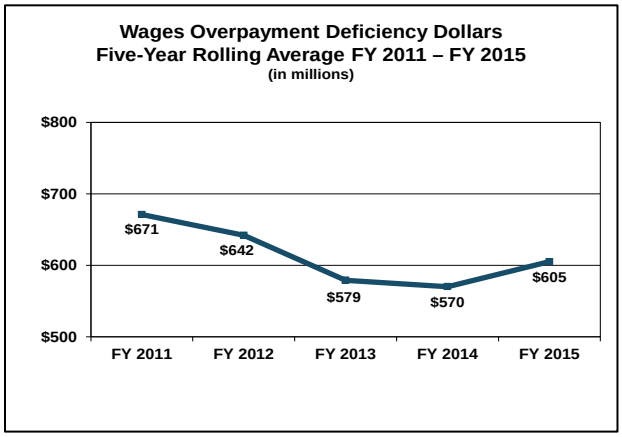
Description	Target Completion	Status
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance that we implemented in October 2013.	Completed FY 2016	We completed evaluations in the first quarter of FY 2016. Based on these findings, we are recommending that it would not 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.

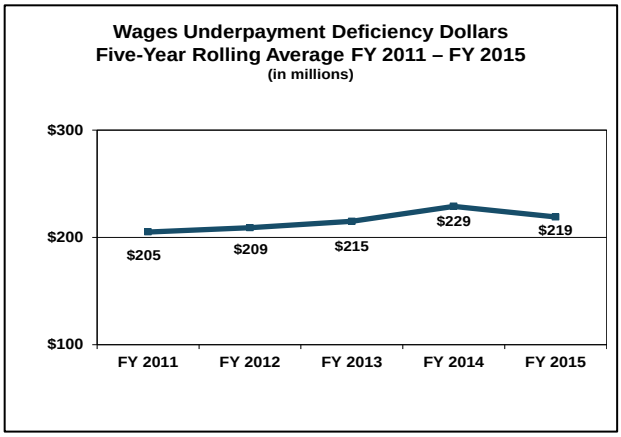
WAGES

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 *Bipartisan Budget Act of 2015* 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 *Bipartisan Budget Act of 2015* 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.

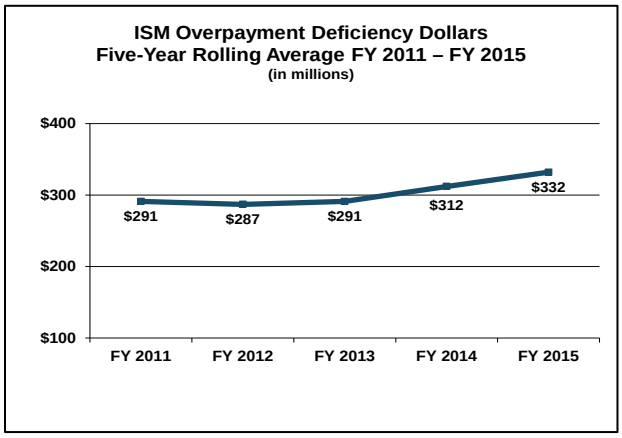
Description	Target Completion	Status
Section 826 of the *Bipartisan Budget Act of 2015* requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	September 2017	Enacted in the *Bipartisan Budget Act of 2015.* Development will continue, 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.

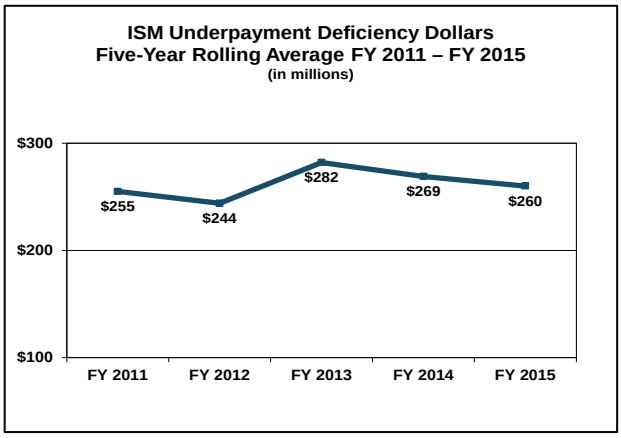
IN-KIND SUPPORT AND MAINTENANCE

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

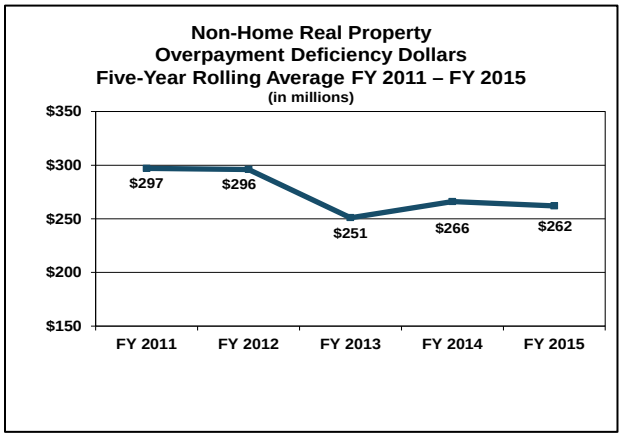
Description	Target Completion	Status
Statutory, Regulatory, Policy and Procedure Review		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	Because of our reviews, we issue periodic reminders and policy clarifications, 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 deemor.

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 Expenses[2]	$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.

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:

1. The aging of outstanding overpayments begins when the overpayment is delinquent, which is generally when no voluntary payment has been made 30 days after the latest of the following dates:
   - The debt was established on our system for OASDI;
   - The initial overpayment notice for a debt established on the SSI system;
   - The last voluntary payment;
   - An installment arrangement;
   - A decision on an individual's request to reconsider the existence of the overpayment; or
   - A waiver denial.
2. Totals for 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) 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.

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