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 *Fiscal Year 2018 Inspector General's Statement on the Social Security Administration's Major Management and Performance Challenges* provides a summary and assessment of the most serious management and performance challenges we face as determined by the Office of the Inspector General (OIG). The Inspector General's Statement also describes the steps we have taken to address each of the challenges.

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

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

IG STATEMENT ON SSA'S MAJOR MANAGEMENT AND PERFORMANCE CHALLENGES

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

November 9, 2018

Nancy A. Berryhill
Acting Commissioner

Dear Ms. Berryhill:

The *Reports Consolidation Act of 2000* (Pub. L. 106-531) requires that Inspectors General summarize and assess the most serious management and performance challenges facing Federal agencies and the agencies' progress in addressing them. This review is enclosed. The *Reports Consolidation Act* also requires that the Social Security Administration (SSA) place the final version of this Statement in its annual *Agency Financial Report*.

MANAGEMENT AND PERFORMANCE CHALLENGES

As we planned our audit work for Fiscal Year 2018, we identified the following seven management and performance challenges.

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

We further discuss the management and performance challenges in the attached document. In the description of each challenge, we define the challenge, outline steps the Agency has taken to address it, and detail actions SSA still needs to take to fully mitigate the issue. We used multiple sources to determine the status of each of the identified challenges. For example, we used statistics SSA reported and Office of the Inspector General audits of SSA's operations. We also used the *Fiscal Year 2018 Report of Independent Certified Public Accounts*, which contained the results of SSA's financial statement audit. The report concluded that SSA had three significant deficiencies in internal controls over financial reporting.

The Office of Audit will continue focusing on these issues in Fiscal Year 2019 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

Gale Stallworth Stone
Acting Inspector General

Enclosure

Fiscal Year 2018
Inspector General Statement
on the
Social Security Administration's
Major Management and Performance Challenges

SOCIAL SECURITY ADMINISTRATION

OIG

November 2018

IMPROVE ADMINISTRATION OF THE DISABILITY PROGRAMS

CHALLENGE

The Agency still faces challenges with pending disability hearings and appeals. Continued focus is necessary to simplify work incentive regulations and create new opportunities for returning beneficiaries to work.

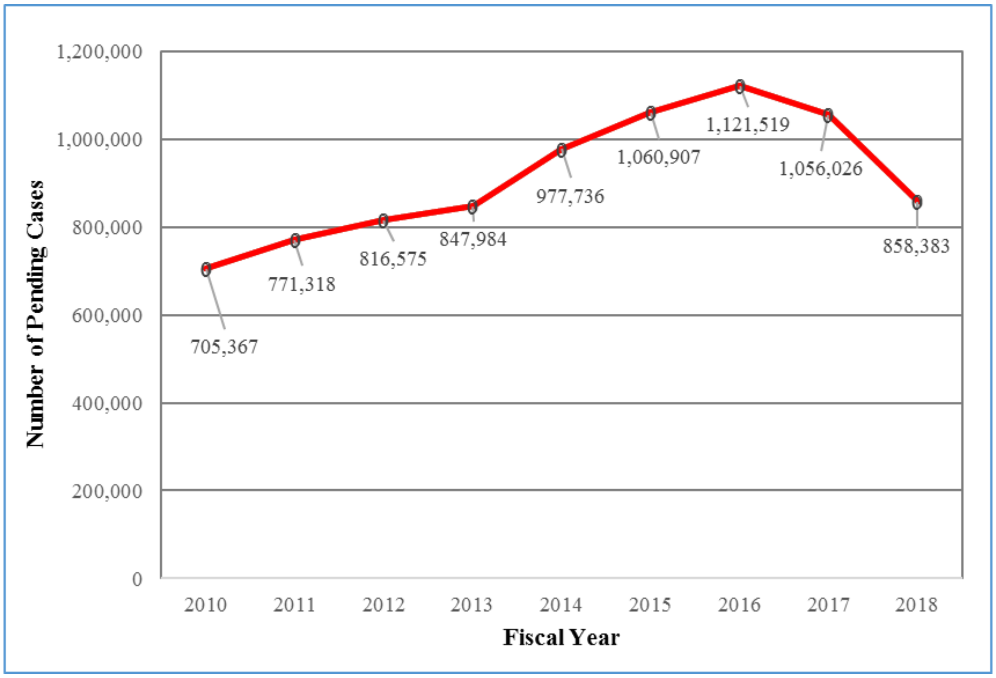
Field and regional offices, hearing offices, and the Appeals Council as well as State disability determination services (DDS) process the Social Security Administration's (SSA) disability workloads.

We previously raised concerns about various backlogs in SSA's disability workloads, including initial disability claims and continuing disability reviews (CDR). In recent years, SSA has made progress in reducing initial disability claims pending and backlogged CDRs. Specifically, initial disability claims pending went from over 759,000 in Fiscal Year (FY) 2011 to about 565,000 as of the end of FY 2018. Further, in FY 2018, SSA eliminated the backlog of CDRs that had existed since FY 2002. However, we still have concerns with pending disability hearings.

PENDING DISABILITY HEARINGS

The hearings process has experienced worsening timeliness and growing backlogs. For instance, the average processing time for a hearing increased 40 percent from 426 days in FY 2010 to 595 days in FY 2018. Moreover, during the same period, the pending hearings backlog increased 22 percent, from 705,367 cases to 858,383 cases. However, over the last 2 years, the number of pending cases has decreased from over 1.1 million cases at the end of FY 2016 to 858,383 at the end of FY 2018, see Figure 1.

Figure 1: Pending Hearings, FYs 2010-2018



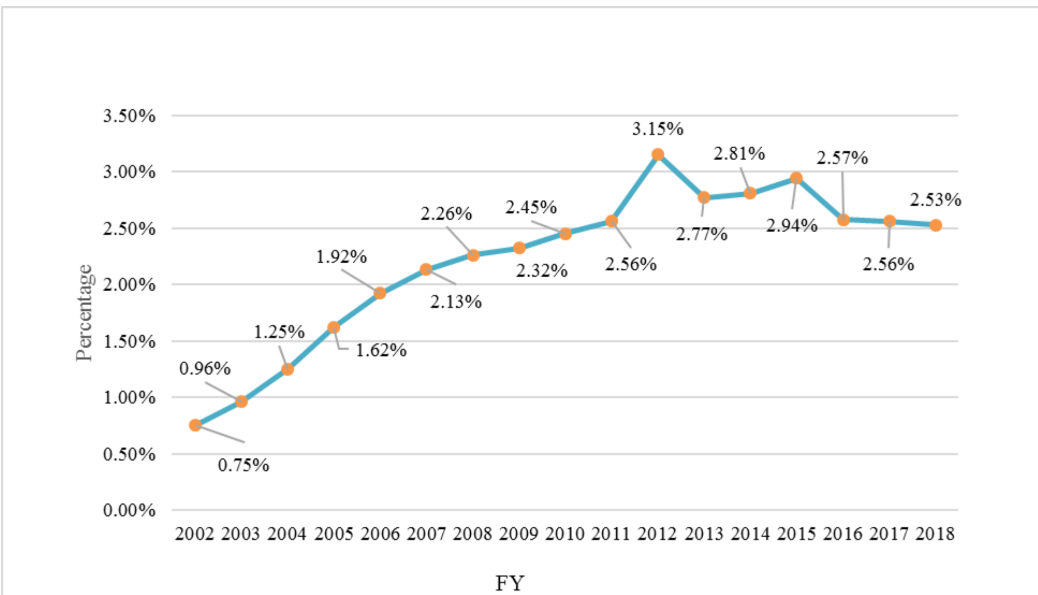
RETURN TO WORK

The *Ticket to Work and Work Incentives Improvement Act of 1999* (Pub. L. No. 106-170) established the Ticket to Work and Self-Sufficiency Program (Ticket Program) 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.

Since the Ticket Program's inception in 2000, SSA has incurred costs over $2.8 billion to manage and evaluate the Program. These costs included a reduction in savings due to deferring CDRs for program participants. The Agency estimated that, as of Calendar Year 2016, it had realized $5.9 billion in savings from benefits it no longer paid Ticket Program participants who returned to work under the Program. Based on these data, we determined it cost SSA about $2,300, while benefits forgone was about $5,000, for each of the almost 1.2 million beneficiaries it served.

Although SSA reported significant savings for the Ticket Program, few Ticket-eligible beneficiaries used their Tickets for vocational or employment services. Specifically, less than 3 percent of Ticket-eligible beneficiaries assigned their Tickets or placed them in-use in FY 2018. While the number of initial Ticket assignments was low when the Ticket Program first began, it steadily increased until it peaked in 2012. The percent of individuals who assigned their Tickets decreased in recent years (see Figure 2).

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



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

Additionally, a July 2013 Mathematica report found that the Ticket Program had a limited, but positive, effect on the employment of disabled individuals and motivated some beneficiaries to pursue employment. Moreover, although relatively few beneficiaries enrolled in SSA-funded employment support programs through the Ticket Program, those who used such employment services had better employment outcomes and were more likely to leave benefits than those who did not. Additionally, it reported that, although there was evidence the Ticket Program targeted individuals who were interested in returning to work, rigorous analyses failed to identify strong evidence of the Ticket Program's impact on employment outcome and found no consistent evidence that it affected employment and benefit receipt.

Agency Actions

Cooperative Disability Investigations

The Cooperative Disability Investigations (CDI) program continues to be one of the Agency's most successful joint initiatives by combining the efforts of the Office of the Inspector General (OIG), SSA, DDSs, and State or local law enforcement personnel. As of September 30, 2018, the CDI program had 43 units covering 37 States; Washington, D.C.; and the Commonwealth of Puerto Rico. The units work to obtain sufficient evidence to identify and resolve questions of fraud and abuse related to disability claims. From inception in FY 1998 through FY 2018, the CDI program's efforts nationwide have resulted in about $4 billion in projected savings to SSA's Old-Age, Survivors and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs and about $3 billion to non-SSA programs. In FY 2018, the CDI program's efforts nationwide resulted in $188.5 million in projected savings to SSA's OASDI and SSI disability programs and $219.4 million to non-SSA programs. In addition, in FY 2018, the CDI program's efforts led to 62 judicial actions, which include criminal convictions, pre-trial diversions, civil settlements, and civil monetary penalties.

Return to Work

SSA reported it informs beneficiaries about its work incentive programs by mailing them paper tickets and eligibility notices and brochures when they begin receiving benefits. It also mails similar notices to beneficiaries after they have been receiving benefits for a year and after the 3-year anniversary of the date they began receiving benefits. SSA expects these mailings to increase program awareness and increase participation.

Hearings and Appeals

In January 2016, SSA issued the *Compassionate And REsponsive Service* (CARES) plan to provide a framework of drivers and initiatives designed to address the growing number of pending hearings and increased wait times. According to the CARES plan, SSA planned to reach an average processing time of 270 days for hearings by the end of FY 2020. The CARES plan also included a goal to process requests for Appeals Council review in an average of 180 days.

In September 2017, the Office of Hearings Operations released the 2017 updated CARES and Anomaly Plan, which built on the initiatives discussed in the 2016 Plan, incorporated lessons learned, and introduced new initiatives. The 2017 CARES Plan reported that the Office of Hearings Operations expected to eliminate the hearings backlog by the end of FY 2022. It incorporated $90 million in dedicated 2-year funding provided in SSA's 2017 appropriation to address the disability hearings backlog. SSA dedicated $70 million of the anomaly funding to increase decisional capacity by hiring more administrative law judges (ALJ) and support staff and $20 million to information technology (IT). As part of its IT modernization plan, SSA began developing the Hearings and Appeals Case Processing System, which will eventually replace SSA's Case Processing and Management System. The first two releases of the new system occurred in June and September of 2018.

Also, in 2017, the Office of Appellate Operations created a software program called INSIGHT and began piloting the software at the Appeals Council. The INSIGHT software was designed to identify potential anomalies in hearing decisions. In FY 2018, the software was initially released to decision writers in five hearing offices and released to all hearing offices' decision writers by August 2018. We expect to issue a report on INSIGHT in FY 2019.

As part of its CARES plan, SSA hired 264 ALJs in FY 2016 and 132 ALJs in FY 2017 to increase the Agency's adjudicatory capacity. SSA did not hire new ALJs in FY 2018. Per SSA, its workload projections indicated that it could hire ALJs in FY 2019 and efficiently achieve a 270-day processing time by the end of FY 2021. As such, it revised the Office of Hearings Operations hiring plan, placing ALJ hiring in FY 2019. In addition, it continued focusing on decision quality through monitoring of potential anomalies in ALJ workload performance, and expansion of hearing office workload quality measures, such as the agreement rate associated with the percent of ALJ cases remanded or reversed in subsequent appeals.

What the Agency Needs To Do

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

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

Continue hiring initiatives and implementing effective IT improvements.

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

Key Related Performance Measures

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

- Improve customer service in the hearings process by prioritizing those individuals who have waited the longest for a hearing decision.
- Increase the number of persons with disabilities receiving employment support services who achieve the consequential earnings threshold of the trial work level.
- Improve the disability determination process by increasing the percentage of medical evidence received electronically.
- Ensure the quality of disability decisions by achieving the State DDS' net accuracy rate for initial disability decisions.
- Hearings receipts.
- Hearings completed.
- Hearings pending.
- Annual average processing time for hearings decision.
- Hearings production per workyear

Key Related Links

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

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

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

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

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

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

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

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

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

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

OIG Report – *Workload Review of the Office of Hearings Operations' Atlanta and New York Regions* (A-12-18-50285), May 2018

GAO Report – *Social Security Disability Better Timeliness Metrics Needed to Assess Transfers of Appeals Work* (GAO-18-501), July 2018

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

OIG Report - *SSA's Use of Insight Software to Identify Potential Anomalies with Hearing Decisions* (A-12-18-50353), planned issued date – Fall 2018

SSA OIG Website - Reports related to addressing the management challenge on improving administration of the disability programs

Reduce Improper Payments and Increase Overpayment Recoveries

Challenge

SSA is responsible for issuing over $1 trillion in benefit payments, annually, to about 70 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 2018 *Agency Financial Report*, SSA estimated it would make about $10.9 billion in improper payments in FY 2017, and incur an administrative cost of $0.07 for every overpayment dollar it collected. SSA also needs to adhere to the requirements of the *Improper Payments Information Act of 2002* (Pub. L. No. 107-300), as amended by 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 2017 (the most recent year for which data are available),

- the OASDI overpayment error was $5.9 billion, 0.64 percent of program outlays, and the underpayment error was $294 million, 0.03 percent of program outlays; and
- the SSI overpayment error was $4.1 billion, 7.29 percent of program outlays, and the underpayment error was $636 million, 1.13 percent of program outlays.

For FYs 2017 through 2018, SSA's goal was to maintain OASDI payment accuracy at 99.8 percent for both over- and underpayments. In these same years, SSA's goal was to achieve a 98.8-percent SSI underpayment accuracy rate and a 94-percent SSI overpayment accuracy rate.

SSA has not met its payment accuracy goals—as shown in Table 1. For example, the Agency's goal for SSI payment accuracy was 95 percent in FYs 2013 through 2016 and 94 percent in FY 2017. But, SSA fell short of these goals in each of the years. Similarly, SSA has not met its OASDI payment accuracy targets but came close to doing so in multiple years.

Table 1: Rates and Targets for Proper Payments FYs 2013 Through 2017

FY	2013		2014		2015		2016		2017	
Program	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI	SSI	OASDI
Rate	92.43	99.78	93.05	99.47	93.94	99.64	92.38	99.79	92.71	99.36
Target	95.00	99.80	95.00	99.80	95.00	99.80	95.00	99.80	94.00	99.80
Met	No	No	No	No	No	No	No	No	No	No

COMPLIANCE WITH IMPROPER PAYMENT LEGISLATIVE REQUIREMENTS

In November 2002, the *Improper Payments Information Act of* 2002 was enacted; it was later amended by the *Improper Payments Elimination and Recovery Act of 2010* and *Improper Payments Elimination and Recovery Improvement Act of 2012* to refine steps agencies should take to address improper payments. As a result, all agencies with high-risk programs—those with significant improper payments—were required to intensify their efforts to eliminate payment errors. The Office of Management and Budget has designated SSA's programs as high-risk.

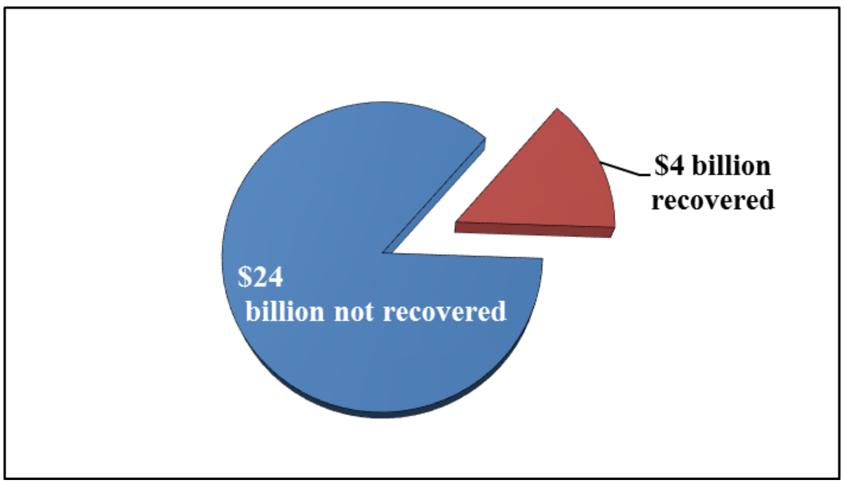
In our May 2018 report, *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the FY 2017 Agency Financial Report*, we noted that SSA was not in compliance with the *Improper Payments Elimination and Recovery Act of 2010* requirements for meeting its targeted payment accuracy rates (shown in Table 1). We also noted that

> . . . for financial accounts and wage reporting, actual SSI deficiency dollars did not significantly improve despite the implementation of Access to Financial Institutions . . . and SSI Telephone Wage Reporting/SSI Mobile Wage Reporting, respectively. SSA could not provide data that measured the success of these implemented corrective actions because of significant data challenges. While SSA had improved [Access to Financial Institutions] since it was implemented in FY 2011, the Agency had not developed new corrective actions to address financial accounts.
>
> SSA is several years from determining whether proposed corrective actions will help reduce improper payments in wage reporting deficiencies, as it has not fully implemented recent corrective actions. . . . We recommend SSA develop new initiatives to address improper payments. SSA agreed with our recommendation.

OVERPAYMENT RECOVERIES

Once SSA determines an individual has been overpaid, it attempts to recover the overpayment. According to SSA, in FY 2018, it recovered about $4 billion in overpayments at an administrative cost of $0.07 for every dollar collected and ended the FY with a $24 billion uncollected overpayment balance (see Figure 3).

Figure 3: Overpayments Recovered - FY 2018

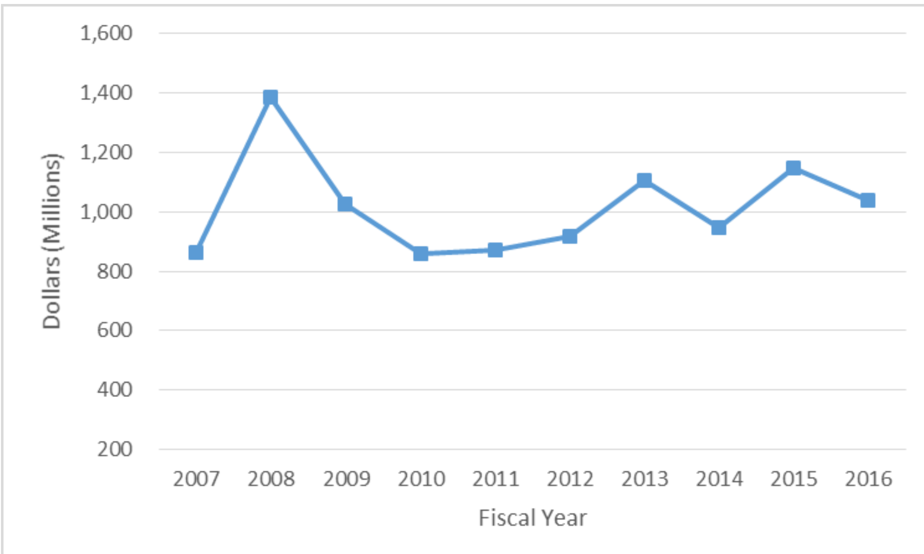


Agency Actions

Improper Payment Causes

One of the major causes of improper payments in the OASDI program is beneficiaries' failure to timely report earnings or SSA not timely withholding monthly benefit payments from beneficiaries who are engaging in substantial gainful activity. Similarly, a major cause of improper payments in the SSI program is recipients' failure to accurately and timely report financial accounts or wages. As we noted in our May 2018 report, SSA's overpayment deficiency dollars related to financial accounts decreased from nearly $1.4 billion in FY 2008; however, the deficiency dollars remained above $1 billion in FYs 2015 and 2016 (see Figure 4).

Figure 4: Financial Account Overpayment Deficiency Dollars (FYs 2007 Through 2016)



The *Bipartisan Budget Act of 2015* (Pub. L. No. 114-74) gave SSA a new tool to obtain wage data sooner. A provision in this new law allows SSA to enter into information exchanges with payroll data providers to obtain wage data (without the need for independent verification) to efficiently administer OASDI and SSI benefits and prevent improper payments. It also allows the Agency to require that individuals provide authorization to obtain payroll data. SSA continues taking steps to implement the legislation.

Debt Collection Tools

SSA uses such methods as benefit withholding and billing with follow up to collect debt related to overpayments. In addition, SSA uses external collection techniques authorized by the *Debt Collection Improvement Act of 1996* (Pub. L. No. 104-134) for OASDI debts and the *Foster Care Independence Act of 1999* (Pub. L. No. 106-169) for SSI debts. These debt-collection tools include the Treasury Offset Program, credit bureau reporting, administrative wage garnishment, and Federal salary offset. According to SSA, in the future, it will ". . . analyze the implementation of the remaining debt collection tools authorized by the *Debt Collection Improvement Act of 1996*. These tools include charging administrative fees, penalties, and interest, or indexing of debt to reflect its current value." Also, according to SSA, it is working on a multi-year initiative to build a new comprehensive overpayment system that will enable it to record, track, collect, and report overpayments more efficiently.

CDRs and Redeterminations

The CDR is a tool for reducing improper payments. Through completed CDRs, SSA periodically verifies individuals are still disabled and eligible for disability payments. SSA estimated that CDRs conducted in FY 2018 would yield net Federal program savings over the next 10 years of roughly $8 on average per $1 budgeted for dedicated program integrity funding, including OASDI, SSI, Medicare, and Medicaid 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 conducted in FY 2018 would yield a return on investment of about $3 on average of net Federal program savings over 10 years per $1 budgeted for dedicated program integrity funding, including SSI and Medicaid program effects. 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.

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

Develop new initiatives to address improper payments.

Key Related Performance Measures

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

- Improve the integrity of the SSI program by focusing efforts on reducing overpayments.
- Maintain a high payment accuracy rate by reducing overpayments in the OASDI program.
- Initiate the data-exchange process with new partners or expand existing data exchanges to improve operational efficiency and reduce improper payments.
- Periodic CDRs completed.
- Full medical CDRs.
- SSI non-medical redeterminations completed.

Key Related Links

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

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

OIG Report – *The Social Security Administration's Compliance with the Improper Payments Elimination and Recovery Improvement Act of 2012 in the Fiscal Year 2017 Agency Financial Report* (A-15-18-50566), May 2018

SSA OIG Website - Reports related to reducing improper payments and increasing overpayment recoveries

IMPROVE CUSTOMER SERVICE

CHALLENGE

SSA faces challenges as it pursues its mission to deliver quality services that meet the changing needs of the public, including growing workloads as experienced employees are expected to retire.

SSA'S GROWING WORKLOADS

SSA's robust workload is ever growing. In FY 2018, SSA paid about $978 billion in OASDI benefits to a monthly average of approximately 62 million beneficiaries and over $47 billion in SSI payments to a monthly average of about 8.2 million recipients. In March 2018, the Government Accountability Office reported that SSA's workloads were increasing because of 80 million baby boomers entering their retirement and disability-prone years. In addition to processing about 10 million benefit claims, during this period, the Agency also completed approximately

- 1.5 million appeals for claimants who disagreed with its decision,
- 284.3 million earnings items posted to workers' records,
- 16.5 million new and replacement Social Security number (SSN) cards,
- 2.9 million SSI redeterminations and almost 897,000 full medical CDRs, and
- 100 million post-entitlement actions.

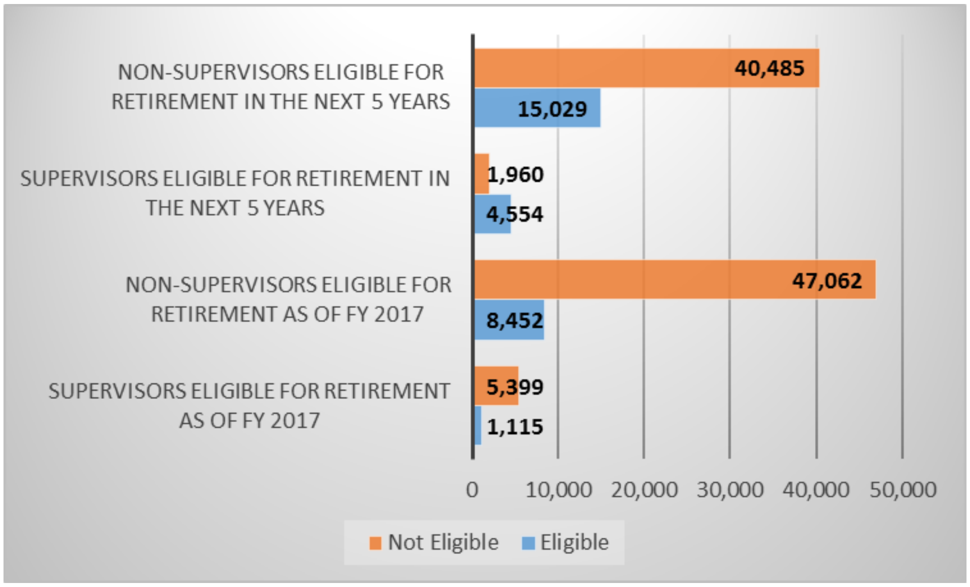
The Agency administers its programs and services through its field offices, National 800-Number, and processing centers. In FY 2018, field offices served about 43 million visitors, the National 800-Number handled about 32 million calls, and processing centers handled complex Social Security claims as well as provided support to the National 800-Number. Recent OIG audits found the following.

- SSA faced challenges in improving its level of services and needed to continue being proactive in managing field office wait times. In addition to the high volume of visitors, factors that affect field office wait times include complex workloads, staffing issues, and shortened operating hours.
- Pending workload items at certain processing centers more than tripled from approximately 1.1 million at the beginning of FY 2013 to about 3.5 million by the end of FY 2016 because of growth in new receipts and staffing issues. Work receipts increased 18 percent from about 16 million in FY 2013 to over 19 million in FY 2016.

LOSS OF EXPERIENCED EMPLOYEES AND INSTITUTIONAL EXPERTISE

SSA continues to acknowledge that one of its greatest challenges is the loss of its most experienced employees. SSA projects that more than 21,000 employees will retire by the end of FY 2022. These retirements, along with regular, ongoing attrition, will cause a loss of institutional knowledge and potentially impair succession management and knowledge transfer. See Figure 5 for the number of supervisors and non-supervisors eligible for retirement as of FY 2017 and in the next 5 years.

Figure 5: Retirement Eligibility



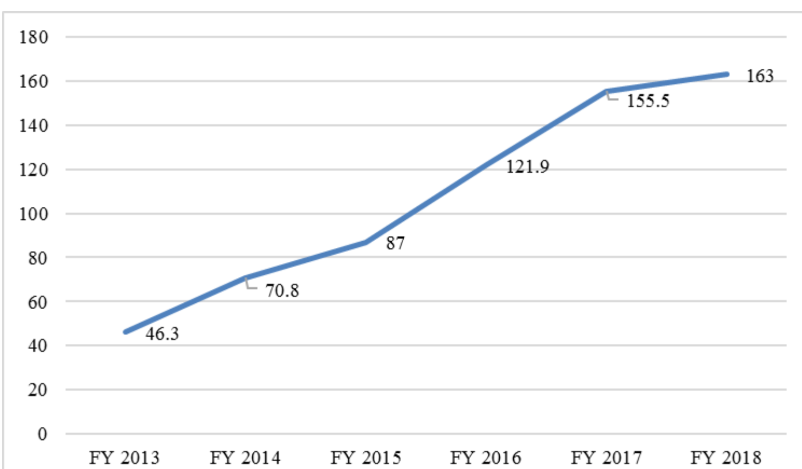
SSA also reported that, in FY 2018, about 40 percent of its senior executives and 30 percent of GS-15 employees were eligible to retire. Within 5 years, these figures will increase to almost 60 percent of senior executives and 45 percent of GS-15 employees. In addition to retirement concerns, the Agency is witnessing a rise in resignations and transfers across the workforce, including amongst supervisors. For example, resignations increased from 19 percent in 2014 to 26 percent in 2018. Transfers increased from 8 to 11 percent during the same timeframe.

Succession planning is so critical to the Agency's future that it was identified in *SSA's Vision 2025*, *2018-2022 Agency Strategic Plan*, and the *2018 Human Capital Operating Plan*. By planning for, and taking measures to close, the gaps faced over the coming years, the Agency will be in a better position to navigate through a challenging labor market.

Service Delivery

SSA relies on an expanded suite of automated and online options for its customers to conduct business with the Agency. In FY 2018, SSA customers conducted over 163 million transactions using the Agency's Website. The number of completed transactions has increased over time (see Figure 6).

Figure 6: Growth of Online Transactions (in millions)



SSA's biennial survey of future customers shows an increasing preference for conducting business online or by telephone. The Agency reports that it expects more people to take advantage of the convenience of online services as service options and functionality are expanded.

Oversight of the Representative Payment Program

Individuals considered the Agency's most vulnerable beneficiaries—including the young, aged, and disabled—depend on representative payees to receive and manage their Social Security benefits. In January 2018, SSA issued its 2017 *Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews* and stated there were about 5.8 million representative payees managing $70 billion in annual benefits for 8.1 million beneficiaries.

In January 2018, the Social Security Advisory Board reported the number of beneficiaries with representative payees had grown over the past 30 years—from 4.7 million in 1984 to 8.4 million in 2016. The Board also reported that SSA estimates the demand for representative payees will continue to increase with the aging population. For example, the number of retired beneficiaries who have representative payees is projected to increase nearly 48 percent from 2013 to 2025 based entirely on the population aging. Furthermore, many adult children with disabilities have parents named as their representative payee. As the parents age, they may be unable to continue functioning effectively as a representative payee.

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

- identifies aged representative payees who are incapable of, or no longer, managing beneficiary funds and
- takes appropriate actions for beneficiaries whose payments it withheld pending the selection of a representative payee.

Additionally, we found the Agency's implementation of its criminal bar policy had not identified and barred convicted felons from serving as individual representative payees. Further, our investigations have identified various problems with representative payees. For example, we found representative payees

- fraudulently received and spent benefits for a deceased beneficiary for over 3 years, while continuing to file Representative Payee Accounting Reports;
- misused a disabled beneficiary's funds while outside the country without the beneficiary; and
- failed to report a recipient's incarceration to SSA and used the recipient's payments for personal expenses over a 3-year period.

Agency Actions

SSA continues taking an array of actions intended to implement its mission of delivering quality services that meet the changing needs of the public. The Agency has taken steps to manage its growing workload and loss of experienced employees. In addition, it is expanding its online services and continuing to manage its Representative Payment Program.

Managing Growing Workloads

SSA's processing centers handle actions that arise after the Agency determines benefit eligibility and support field offices and hearing offices. In January 2016, the number of actions pending in the processing centers hit an all-time high.

In FY 2017, the Agency reduced the processing center backlog by 1.4 million, which is an improvement from the high of more than 5 million in January 2016. In FY 2018, SSA reduced the backlog by another 500,000 actions. The Agency focused on tactical workload strategies by screening cases that could be completed quickly and controlling the volume and age of its workloads. Additionally, the Agency increased hiring and overtime in the processing centers and planned for future automation, workflow enhancements, and quality initiatives to improve processing center performance. These efforts will continue into FY 2019.

Leadership Development and Succession Planning

SSA reports that, without sound succession management, it faces a leadership crisis and significant drain in its institutional knowledge and expertise. The Agency recognizes it is imperative to identify, develop, and prepare leaders to carry out critical functions. To meet this need, the Agency plans to implement the following initiatives.

- Execute Senior Executive Service talent management and succession planning.
- Create a leadership succession strategy for the general workforce.
- Expand talent-management resources.
- Conduct supervisory training and assessments.
- Increase workforce development.
- Align leadership development programs with Agency succession planning.

Service Delivery

SSA expresses its commitment to providing effective and efficient service to all individuals who visit its offices, call its National 800-Number, or access online services. The Agency has set forth proposals intended to improve service delivery at the customer's first point of contact with the Agency and increase the timeliness of claims and post-entitlement actions. The Agency plans to

- expand the use of self-help personal computers in SSA field offices to allow for about 100,000 more transactions in FY 2019 than in FY 2017;
- offer the use of the *Internet Social Security Number Replacement Card* application nationwide for individuals to request a replacement SSN card;
- work with external partners to increase video service access and participation;
- expand video services in field, hearing, and State DDS offices;
- expand services within *my* Social Security to additional user groups, including representative payees, appointed representatives, and business users; and
- expand "click-to-chat" on *my* Social Security.

Representative Payment Program

SSA reports beneficiaries who need a representative payee are of particular concern because of their vulnerability. While SSA continues identifying representative payees that misuse funds, it reported the majority of payees was properly using beneficiaries' funds. In its January 2018 report to Congress, SSA stated it found misuse in approximately 1.3 percent of the representative payees reviewed. The Agency conducted 2,021 reviews and found that 27 representative payees misused beneficiaries' funds. As a result of the reviews, the Agency removed 114 representative payees and either appointed a new representative payee or determined beneficiaries were capable of managing their own benefits.

New legislation will assist SSA in its oversight of the Representative Payment Program. The *Strengthening Protections for Social Security Beneficiaries Act of 2018* (Pub. L. No. 115-165) was passed in April 2018. This law

- requires that SSA make annual grants to State Protection and Advocacy groups to complete representative payee reviews;

- expands the required periodic onsite reviews to include individuals (including family members) and organizational payees based on the risk of potential misuse or unsuitability;
- exempts custodial parents of minor children and disabled individuals, as well as spouses, from annual payee accountings;
- requires that SSA enter into data exchange agreements with State foster care agencies to identify whether a beneficiary is in foster care;
- directs SSA to study how to improve data sharing with State Adult Protective Services to determine the need for and provide oversight of payees;
- holds State representative payees for minors in foster care responsible for repaying overpayments incurred while the State acted as payee;
- directs SSA to enter into an agreement with the Administrative Conference of the United States to conduct a study on opportunities for, and barriers to, information sharing with State courts;
- allows beneficiaries to designate their preferred payee in advance;
- requires SSA to assess the appropriateness of the order-of-preference list it uses to select payees;
- requires SSA policies that ban individuals with certain criminal convictions from serving as payees and allows SSA to disqualify current or prospective payees who do not consent to a background check; and
- requires current SSA policies to prohibit individuals who have payees from serving as a payee.

WHAT THE AGENCY NEEDS TO DO

Continue developing and implementing strategies that will provide quality services to the public now and in the future while overcoming challenges related to growing workloads, loss of institutional knowledge, and an increase in online transactions.

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

KEY RELATED PERFORMANCE MEASURES

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

- Increase the number of successfully completed online transactions.
- Increase customer satisfaction with SSA's online services.
- Improve customer service in the hearings process by prioritizing those individuals who have waited the longest for a hearing decision.
- Improve customer service by reducing the number of cases pending at the processing centers.
- Ensure readiness of career senior executives for positions that align with Agency succession needs.

Key Related Links

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

SSA Annual Performance Plan - *SSA's Annual Performance Plan for Fiscal Year 2019, Revised Performance Plan for Fiscal Year 2018, Annual Performance Report for FY 2017*

SSA Annual Report - *SSA's Annual Report on the Results of Periodic Representative Payee Site Reviews and Other Reviews, FY 2017*

SSA Budget Overviews - FY 2018 Budget Overview and FY 2019 Budget Overview

Social Security Advisory Board - *Improving Social Security's Representative Payee Program, January 2018*

OIG Report - *Payments to Aged Representative Payees* (A-09-17-50246), June 2018

OIG Report - *Beneficiaries in Suspended Payment Status Pending the Selection of a Representative Payee* (A-09-17-50202), June 2018

OIG Report - *Increases in Program Service Center Workloads* (A-05-17-50254), April 2018

OIG Report - *Customer Wait Times in the Social Security Administration's Field Offices* (A-04-18-50260), February 2018

OIG Report - *Representative Payee Criminal Bar Policy* (A-13-18-50154), August 2018

SSA OIG Website - Reports related to customer service

Modernize Information Technology Infrastructure

Challenge

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

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

In FY 2018, SSA spent $1.9 billion on IT. SSA reports that budget constraints have forced it to use much of its IT funding to operate and maintain existing systems. To ensure SSA can keep pace with increasing workloads, it must maintain its legacy systems while developing their modern replacements.

Cloud technology can improve systems availability and performance at a lower cost. Many organizations have realized benefits by extending their technology offerings with a mix of public and on-premise cloud offerings that are tuned to meet customer, technology, and service demands. In line with this cloud strategy, SSA developed the Agency Cloud Initiative to supplement its legacy infrastructure using cloud technologies and automation. The Agency Cloud Initiative creates an infrastructure that enables SSA's overall IT modernization plans.

Development and Implementation of Electronic Services

SSA launched *my* Social Security in 2012 and, through September 2018, over 38.8 million customers had created accounts. According to SSA, in FY 2018, customers completed over 163 million transactions using the Agency's Website. Further, SSA indicated that more than half of all Social Security retirement and disability applications were filed online. Still, the Agency saw about 43 million visitors in its field offices and handled about 32 million calls to its National 800-Number.

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

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

Implementation of Major IT Projects

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

Disability Case Processing System

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

In response to a request from the Chairman of the House Subcommittee on Social Security, Committee on Ways and Means, in FY 2018, we completed three reviews of the DCPS project. In the first, we evaluated the market research and analysis a contractor conducted for SSA on DCPS. We concluded that a number of factors—including Federal procurement requirements, the date by which SSA told the contractor it needed a new solution, and the short timeframe the Agency gave the contractor to conduct its analysis—limited the contractor's analysis of options for SSA's DCPS.

In the second review, we reported that SSA expected DCPS development would continue beyond October 2018. In addition, the Agency had not determined when it would resume deploying DCPS to additional DDSs. As of February 2018, SSA estimated its DCPS costs through FY 2022 would be about $140 million. However, given the uncertainty of when SSA will finish developing DCPS and rolling it out to all DDSs, we could not determine whether the Agency's cost estimate was reasonable.

In the most recent review, we gathered feedback from the State DDS administrators and their employees who had used DCPS. We concluded that, overall, users were satisfied with DCPS; however, they indicated they would like more functionality. In December 2017, the 10 participating DDSs completed 797 cases in DCPS (about 2 percent of their monthly workload). In May 2018, they had completed 1,543 cases (about 4 percent of their monthly workload).

Agency Cloud Initiative

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

SSA positioned its Enterprise Data Warehouse and DCPS in its public cloud. Also, SSA attempted to add pieces of the *my* Social Security Message Center to the cloud in July 2018 but was unsuccessful because of unforeseen technical barriers. After resolving these barriers, SSA plans to re-add pieces of the Message Center to the cloud in early 2019.

IT Investment Process

According to the Agency's post-implementation review reports, although SSA generally was able to verify and compare costs, functionality impact, and other areas, it could not quantify the benefits or calculate the return on investment for these projects.

Agency Actions

IT Modernization Plan

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

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

In October 2017, SSA published and began implementing its IT Modernization Plan. In FY 2018, SSA focused on improving the high-priority capabilities in its core business systems. According to the Agency, it made improvements to its enumeration, wages, and SSI systems, which enabled it to retire legacy code and achieve faster processing and improved accuracy.

Development and Implementation of Electronic Services

SSA continued to expand the availability of its online application process for replacement Social Security number cards to other states in FY 2018, with the total number of states at 32, plus the District of Columbia. The Agency also added online capabilities for claimants to file a request for review of a hearing decision. In addition, SSA introduced the option for *my* Social Security users to receive help from an employee via live chat.

Implementation of Major IT Projects

DCPS

The Agency developed a risk management plan to reduce the effects of uncertainties on DCPS' success. Also, it recognized its inability to convince DDS users of the value and advantage of DCPS may negatively affect DDS adoption rates. To address this, SSA reported it continues working with the user community to develop and demonstrate working software.

Per SSA, at the end of FY 2018, 12 participating DDSs had used DCPS to process over 22,600 disability claims. In July 2018, SSA estimated DCPS costs—from the reset in FY 2015 through FY 2022—will total about $177 million. SSA resumed implementing DCPS at additional DDSs in September 2018.

Cloud Technology

As SSA implements cloud technology, it expects to receive further flexibility to allocate systems resources to meet changing demands. In 2017, SSA completed the implementation of an on-premises cloud proof of concept. Further, the Agency has since reported it completed the design for an Agency hybrid cloud. This platform will allow applications to use resources in public clouds and the on-premise SSA cloud simultaneously. In FY 2019, the Agency plans to build and implement the hybrid cloud services.

IT Investment Process

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

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

WHAT THE AGENCY NEEDS TO DO

Prioritize and adequately fund IT modernization activities.

Ensure its IT planning and investment control processes are effective.

KEY RELATED PERFORMANCE MEASURES

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

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

KEY RELATED LINKS

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

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

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

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

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

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

SSA OIG Website - Reports related to modernizing IT infrastructure

SECURE INFORMATION SYSTEMS AND PROTECT SENSITIVE DATA

CHALLENGE

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

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

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

INFORMATION SECURITY PROGRAM

Our prior audit and investigative work has revealed 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. Additionally, other audits and evaluations have identified serious concerns with SSA's information security program.

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

SECURING ONLINE SERVICES

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

In September 2018, SSA released security enhancements to iClaim. We recognize online services are an important component of SSA's strategy to deliver services to the public during a period of increasing workloads and constrained resources. Still, we believe SSA's primary responsibility must be safeguarding the sensitive information the American public has entrusted to the Agency. To ensure citizens' sensitive information is adequately protected, we believe the Agency needs to implement security controls that meet Federal requirements and ensure individuals applying for benefits are who they claim to be.

Securing Cloud Computing Services

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

In 2014, we evaluated SSA's cloud-computing technologies. We conducted the review early in SSA's cloud-adoption process and encouraged SSA to consult with the Office of Management and Budget on Federal requirements for cloud use. We are evaluating SSA's cloud environment to determine whether it is protecting the Agency's sensitive information and expect to issue our report in FY 2019.

Agency Actions

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

Information Security Program

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

Securing Online Services

In September 2016, we recommended SSA strengthen controls over access to *my* Social Security to ensure citizens' sensitive information is adequately protected. In June 2017, the Agency implemented multi-factor authentication; however, it could improve these controls. In addition, over the last several years, SSA has increased its ability to detect potentially fraudulent benefit claims received online. In September 2018, SSA introduced new controls for iClaim that it expects will help prevent fraud.

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 performance measure from SSA's revised FY 2018 *Annual Performance Plan* related to this challenge is listed below.

- Maintain an effective cybersecurity program.

KEY RELATED LINKS

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

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

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

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

SSA OIG Website - Reports related to securing information systems

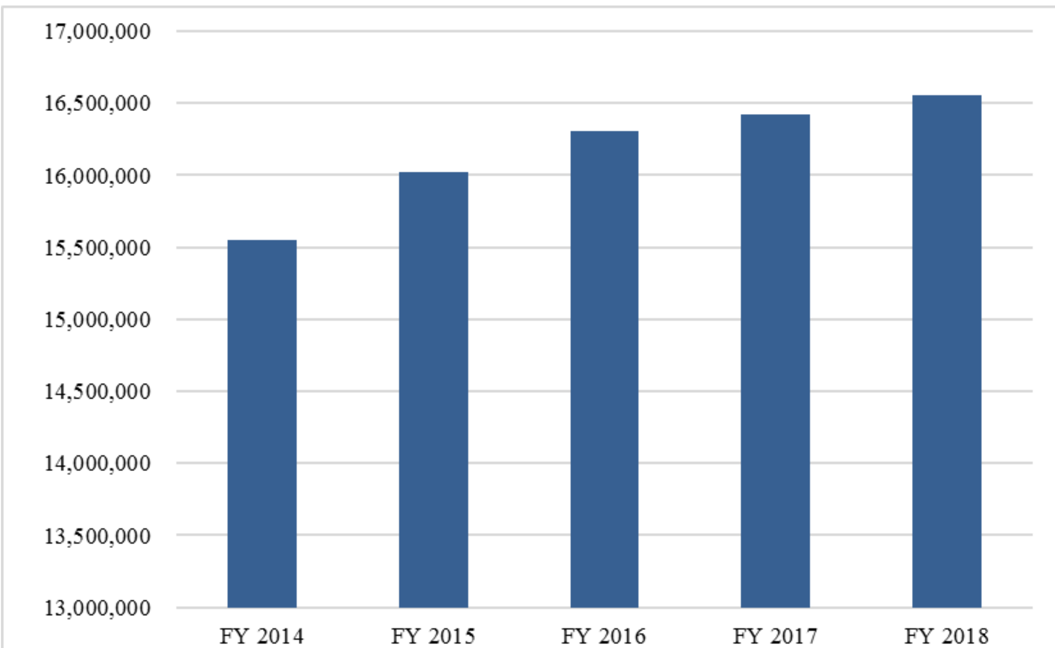
STRENGTHEN THE INTEGRITY AND PROTECTION OF THE SOCIAL SECURITY NUMBER

CHALLENGE

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

In FY 2018, SSA had issued about 16.5 million original and replacement SSN cards (see Figure 7). In addition, in FY 2018, the Agency processed about 284.3 million wage items. 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 7: Original and Replacement SSN Cards Issued



SSN USE

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

SSN MISUSE

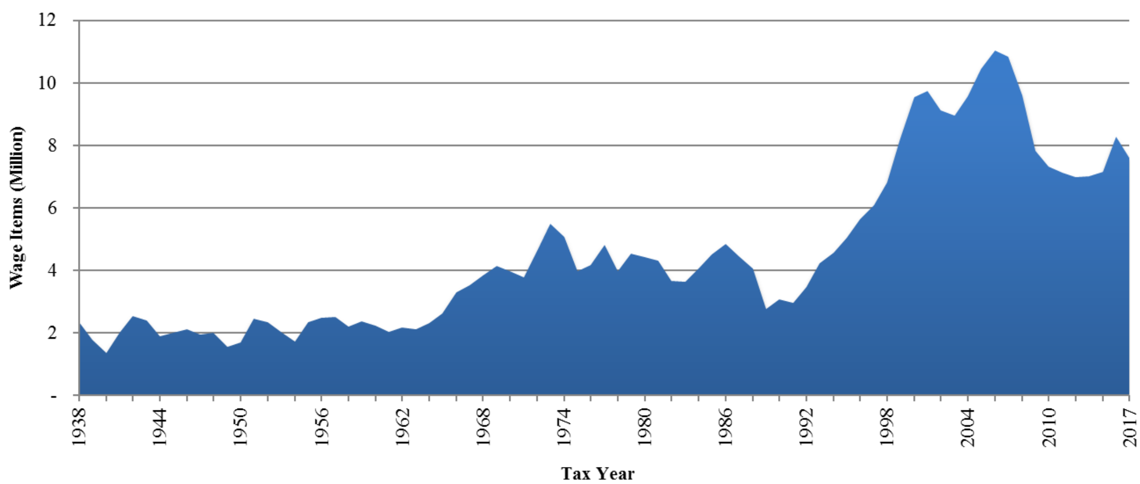
Given the preponderance of SSN misuse and identity theft in U.S. society, we continue to believe protecting this critical number is a considerable challenge for SSA as well as its millions of stakeholders. Unfortunately, once SSA assigns an SSN, it has no authority to control how other entities collect,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

EARNINGS

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

SSA spends scarce resources correcting earnings data when employers report incorrect information. The Earnings Suspense File (ESF) is the Agency's repository of wage reports on which wage earners' names and SSNs fail to match SSA's records. Per the latest available data, the ESF had accumulated over $1.6 trillion in wages and about 367 million wage items for Tax Years 1938 through 2017. As shown in Figure 8, in Tax Year 2017 alone, SSA posted about 7.7 million wage items, representing $94.8 billion in wages, to the ESF.

Figure 8: ESF Suspended Wage Items (1938 to 2017)



AGENCY ACTIONS

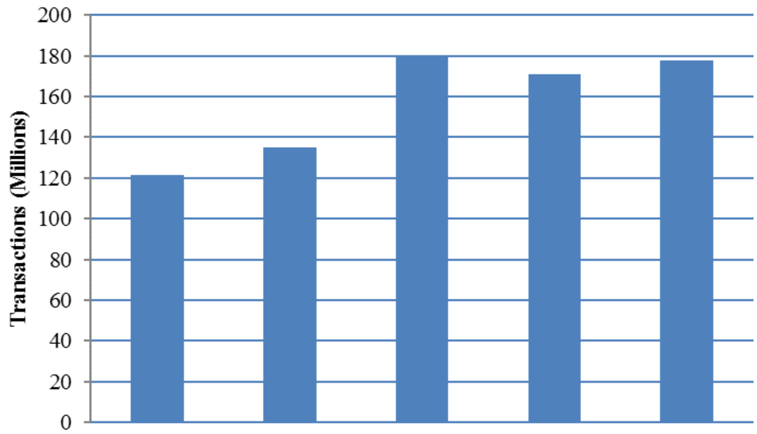
SSA has taken steps to further automate its enumeration process. For example, SSA released the *Internet Social Security Number Replacement Card* application in November 2015. This allows certain individuals to obtain a replacement SSN card online without the need to visit an SSA office, reducing the number of replacement card requests in field offices and Social Security Card Centers. As of September 30, 2018, SSA had processed over 1.4 million replacement card applications via the *Internet Social Security Number Replacement Card* application. While we believe this initiative may enhance customer service, SSA must ensure it takes necessary steps to minimize the risk of individuals fraudulently obtaining a replacement card.

In addition, SSA worked with the Centers for Medicare and Medicaid Services to remove SSNs from Medicare cards. SSA previously also eliminated issuance of the SSN printout, except in certain disaster situations. If an individual needs proof of his/her SSN and does not have an SSN card, he/she must request a replacement by completing an *Application for a Social Security Card* and providing the required documentation.

SSN Verification Service

SSA has taken steps to reduce the size and growth of the ESF. The Agency has offered employers the ability to verify their employees' names and SSNs using the Agency's SSN Verification Service before reporting wages to SSA. The number of verification transactions for the SSN Verification Service has increased from 121.5 in FY 2014 to 177.8 million in FY 2018. As of the end of FY 2018, 33,654 employers were registered for the SSN Verification Service (see Figure 9).

Figure 9: SSN Verification Service Verifications FYs 2014 Through 2018

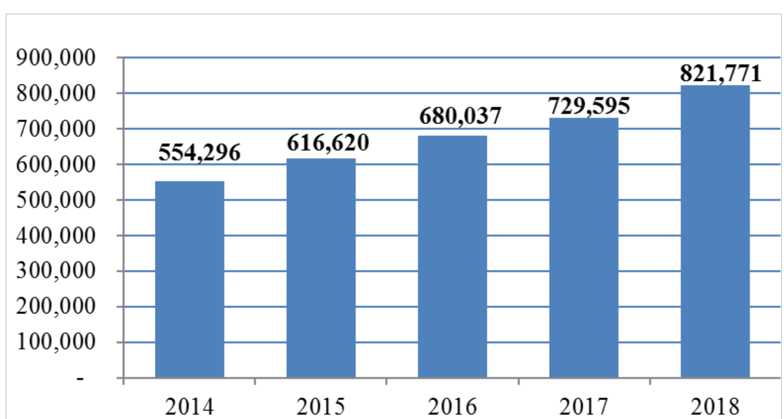


Fiscal Year	2014	2015	2016	2017	2018
Transaction (Millions)	121.5	134.8	179.4	171.1	177.8
Employers	36,712	34,496	34,352	33,692	33,654
Mismatch Rate	5.6	6.3	5.14	4.15	3.08

E-Verify

SSA also supports the Department of Homeland Security in administering its E-Verify program, which assists employers in verifying electronically the employment eligibility of newly hired employees. According to the Department of Homeland Security, the number of registered users has steadily increased from approximately 554,000 in FY 2014 to about 822,000 in FY 2018, as shown in Figure 10. In FY 2018, users submitted more than 40 million queries.

Figure 10: Enrollment in E-Verify



Earnings

To help reduce the number of items posted to the ESF, the Agency reported that it will resume sending educational correspondence letters to employers in Spring 2019 advising them when the wage information they submitted fail to match wage earners' names and SSNs in SSA's records. The Agency hopes these letters will help reduce the number of wages placed in the ESF in the future.

What the Agency Needs To Do

Continue to be vigilant in protecting SSNs. We remain concerned that some government and non-government organizations unnecessarily collect and use SSNs as a primary identifier. We also remain concerned about SSN misuse by noncitizens who are not authorized to work in the United States as well as the misuse of SSNs for identity theft purposes.

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

Continue improving wage reporting by informing employers about potential name and SSN mismatch cases, identifying and resolving employer reporting problems, re-examining the validity and integrity checks used to prevent suspicious W-2s, *Wages and Tax Statement*, 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

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

- SSNs completed.
- Annual earnings items completed.
- Social Security Statements issued.

Key Related Links

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

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

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

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

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

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

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

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

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

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

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

SSA OIG Website - Reports related to protecting social security numbers

Strengthen Planning, Transparency, and Accountability

Challenge

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

Planning

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

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

SSA worked with a contractor to develop an execution strategy and roadmap to cover the 10-year period addressed by *Vision 2025*. The roadmap includes a more specific description of a future SSA but does not discuss how SSA's budget uncertainty and other environmental factors could affect the envisioned roadmap. Also, the roadmap is not available publicly, so stakeholders cannot review how SSA plans to implement its vision or measure SSA's progress in its implementation.

Finally, while *Vision 2025* includes a crosswalk to SSA's previous *Agency Strategic Plan*, which helped show how the Agency's strategic goals aligned with *Vision 2025's* priorities, SSA's current *Agency Strategic Plan* makes no mention of *Vision 2025*. Without a description of how the current *Agency Strategic Plan* helps further SSA's progress toward its longer-term vision, stakeholders cannot easily see whether *Vision 2025* continues guiding SSA's future planning.

Transparency

SSA releases annual performance plans and reports that include its annual performance measures, which provide a certain level of transparency on SSA's operations. Though, the quality of some of SSA's performance measures may limit the transparency they provide. The Agency has a mixture of outcome and output performance measures on which it publicly reports. The outcomes it measures include customer satisfaction, the timeliness of service or claims processing, and the accuracy of its payments. While these measures are helpful, SSA has more output-based performance measures than outcome-based ones. Output measures are less helpful in informing stakeholders on whether SSA is effectively using its resources to achieve its mission.

SSA refers to many of its output-based performance measures as budgeted workload measures, which SSA states are budget dependent. These measures include completing the budgeted number of full medical CDRs, SSI non-medical redeterminations, disability claims, and hearings requests. While measuring these workloads may be helpful for budgeting purposes, the performance measures do not inform whether completing the workloads results in positive outcomes. More useful performance measures would measure the outcomes of the workloads, like the dollars saved by identifying beneficiaries who were no longer disabled and ineligible for benefits through the completion of CDRs.

Finally, some of SSA's performance measures appear to measure outcomes but actually measure outputs. In these cases, SSA includes a desired outcome in the wording of the performance measures, while the intended target is output-based. For example, one of SSA's performance measures is to "Improve the disability determination process by increasing the percentage of medical evidence received electronically." The stated target is an increase in the percent of electronic medical evidence received. While receiving more medical evidence electronically may improve the process, it may not. To determine whether the increased use of electronic medical evidence improved the disability determination process, SSA should measure whether (1) cases with electronic medical records were processed more timely or accurately or (2) customers were more satisfied with the process.

Accountability

SSA's Anti-fraud Programs

We have noted in past Statements that SSA needs a strong anti-fraud infrastructure to combat attempts to defraud its 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.

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

SSA has taken some steps to strengthen its anti-fraud infrastructure. For example, in FY 2014, SSA re-established its National Anti-Fraud Committee, a group of senior level executives that serves as a focal point for SSA's anti-fraud efforts. That same year, the Agency established the Office of Anti-Fraud Programs to provide centralized oversight and accountability for initiatives to detect, deter, and mitigate fraud. In FY 2017, SSA completed a Disability Fraud Risk Assessment in response to the Office of Management and Budget's new risk management requirements. Additional risk assessments will further strengthen SSA's approach to combatting fraud.

Also, SSA's Office of Anti-Fraud Programs is developing the Anti-Fraud Enterprise Solution (AFES) to expand its anti-fraud systems and processes. SSA expects AFES will improve its ability to utilize data analytics to enhance fraud detection. When fully implemented, SSA expects AFES will improve real-time fraud risk analysis and integrate technology into the Agency's anti-fraud business processes. To further improve its ability to address fraud, SSA needs to ensure AFES is implemented timely and successfully.

Report of Independent Certified Public Accountants

The *FY 2018 Report of Independent Certified Public Accountants* contained three significant deficiencies in internal control. The three significant deficiencies are summarized below (refer to SSA's FY 2018 *Agency Financial Report* for the full text of the report).

Certain Financial Information System Controls. The auditor identified a number of system control deficiencies, when aggregated, are considered to be a significant deficiency in the area of IT Systems Controls. The auditor mapped the control deficiencies to four overall components. This significant deficiency is a repeat from prior years.

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

Controls over the Reliability of Information Used in Certain Control Activities. The auditor found deficiencies in the control design and operating effectiveness related to information produced by entity. This significant deficiency is a repeat from last year. The auditor noted findings related to the completeness and accuracy of financially relevant information produced by entity in the area of Accounts Receivable with the Public (Benefit Overpayments).

Accounts Receivable with the Public (Benefit Overpayments). The auditor identified four deficiencies in internal control that, when aggregated, are considered to be a significant deficiency related to weaknesses in internal controls related to Accounts Receivable with the Public. This significant deficiency is a repeat form prior years. Specifically, the auditor's testing disclosed the following deficiencies.

- Reconciliation of Accounts Receivable Ledgers
- Overpayment Documentation and Calculations
- Overpayment Records and Tracking for Long-term Installment Payments
- Overpayment Prevention

Agency Actions

Planning

SSA released a new strategic plan for FYs 2018 through 2022. While the strategic plan provides an understanding of SSA's goals over the next few years, it does not mention *Vision 2025* or include an addendum that aligns it with the longer-term vision.

Transparency

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

ACCOUNTABILITY

SSA's FY 2017 *Anti-Fraud Strategic Plan* aligns the Plan with the leading practices in the Government Accountability Office's *A Framework for Managing Fraud Risks in Federal Programs,* as well as SSA's *Agency Strategic Plan*. The anti-fraud plan describes how the Agency will develop and implement a comprehensive, unified anti-fraud program. SSA is currently updating its *Anti-Fraud Strategic Plan,* which will cover FYs 2019 through 2021.

In FY 2018, SSA executed the first disability fraud analytic model in AFES. The disability fraud analytic model identifies anomalous relationships within disability claims at the hearings level. Per SSA, the model shows initial success in using data analytics to detect potential fraud.

Also, in FY 2018, SSA began exploring additional controls to further mitigate key risks identified in the Disability Fraud Risk Assessment. Additionally, it began its second fraud risk assessment focused on key eServices, including *my* Social Security and iClaims. SSA is also developing a long-term strategy and schedule to conduct fraud risk assessments.

WHAT THE AGENCY NEEDS TO DO

Re-evaluate its *Vision 2025* to ensure it has a viable long-range plan. Also, the Agency should develop performance measures that address its long-term desired outcomes, so SSA and the public can track SSA's efforts to transform into the Agency it needs to be in the future to meet its mission.

Fully implement AFES.

Develop additional fraud risk assessments.

Address its three internal control significant deficiencies.

KEY RELATED AGENCY PERFORMANCE MEASURES

The key planning, transparency, and accountability related measures from SSA's revised FY 2018 *Annual Performance Plan* are listed below.

- Expand CDI coverage.
- Develop an AFES.
- Strengthen manager accountability for effective performance management.
- Ensure readiness of career senior executives for positions that align with Agency succession needs.
- Ensure timely guidance is provided to managers to address employee performance and conduct issues.
- Reduce real property footprint.

KEY RELATED LINKS

GAO Review - *A Framework for Managing Fraud Risks in Federal Programs*, July 2015

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

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

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

SSA Document - *Vision 2025*

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

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

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

OIG Report – *The Social Security Administration's Financial Report for Fiscal Year 2018* (A-15-18-50482), November 2018

SSA OIG Website - Reports related to strengthening planning, transparency, and accountability

OTHER REPORTING REQUIREMENTS

SUMMARY OF FINANCIAL STATEMENT AUDIT AND MANAGEMENT ASSURANCES

Summary of Financial Statement Audit Table

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

Summary of Management Assurances Table

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

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

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

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

Entitlement Reviews and Office of the Inspector General Anti-Fraud Activities

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

Entitlement Reviews

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

Disability Quality Assurance Reviews

We perform quality assurance reviews of random samples of disability determination services (DDS) determinations to measure our level of accuracy against standards mandated by the regulations. We review initial claims, requests for reconsideration, and determinations of continuing eligibility, and conduct these reviews prior to the effectuation of the DDS determinations. The following table shows the quality assurance accuracy rates for fiscal year (FY) 2014 through FY 2018.

Quality Assurance Reviews Table

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	98.1%	97.7%	97.6%	97.4%	97.3%
Number of cases reviewed	29,780	29,360	33,010	34,198	32,286
Number of cases returned to the DDS offices due to error or inadequate documentation	577	663	796	898	857

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 2014 through FY 2018.

DI Pre-Effectuation Reviews Table

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of State DDS decisions to allow or continue not returned to the DDS offices for correction	96.9%	96.4%	95.8%	95.8%	95.5%
Number of cases reviewed	316,306	293,015	300,440	278,796	255,200
Number of cases returned to the DDS offices due to error or inadequate documentation	9,689	10,647	12,758	11,811	11,585

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 2014 through FY 2018.

SSI Pre-Effectuation Reviews Table

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Percent of State DDS decisions to allow not returned to the DDS offices for correction	97.6%	97.1%	96.9%	96.9%	96.7%
Number of cases reviewed	105,628	104,808	112,875	106,777	98,540
Number of cases returned to the DDS offices due to error or inadequate documentation	2,562	2,988	3,508	3,288	3,297

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 2014 through FY 2018.

CDR Accuracy Table

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overall accuracy	97.6%	96.7%	97.1%	96.7%	96.9%
Continuance accuracy	98.3%	97.3%	97.8%	97.6%	98.0%
Cessation accuracy	95.5%	95.0%	94.9%	93.5%	92.9%

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 2014 through FY 2017. Data for FY 2018 is not available at this time. We will report the FY 2018 data in our FY 2019 *Agency Financial Report*.

OASDI Accuracy Table

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overpayment accuracy	99.5%	99.6%	99.8%	99.4%	Data not yet available
Underpayment accuracy	99.9%	99.9%	99.9%	99.9%	Data not yet available

SSI Accuracy Table

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Overpayment accuracy	93.0%	93.9%	92.4%	92.7%	Data not yet available
Underpayment accuracy	98.5%	98.6%	98.8%	98.9%	Data not yet available

SSI Redeterminations

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

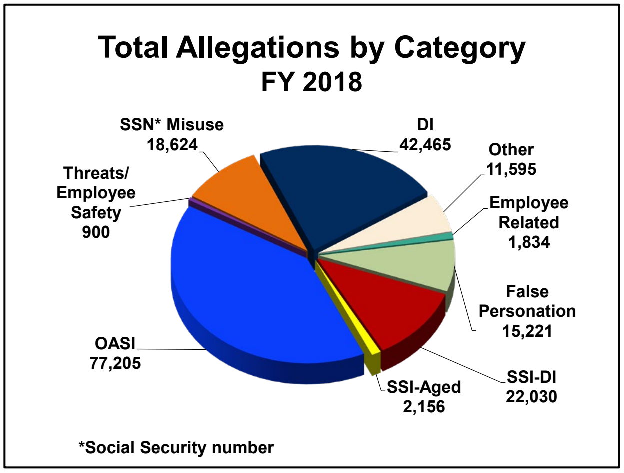
SSI Redeterminations Table

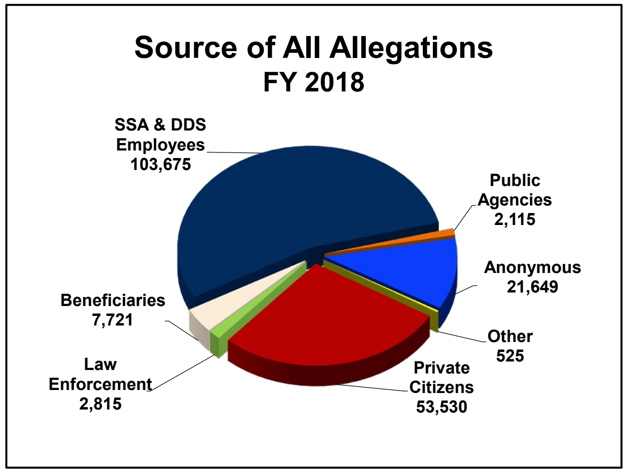
(In Millions)

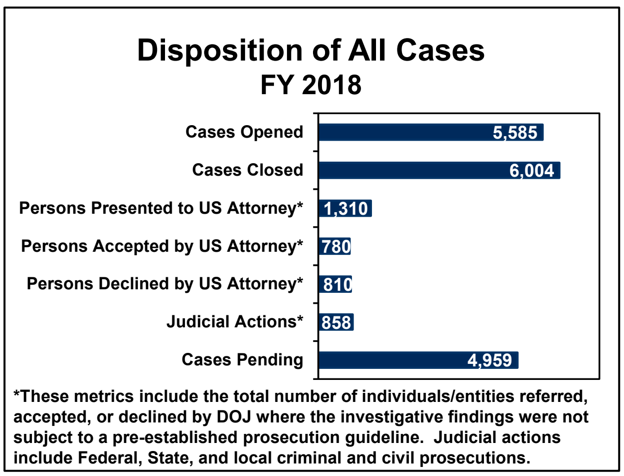
	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Number of redeterminations completed	2.628	2.267	2.530	2.590	2.913

The Office of the Inspector General's Anti-Fraud Activities

In FY 2018, we worked with our Office of the Inspector General (OIG), the U.S. Department of Justice (DOJ), and other Government agencies on cases involving fraud, waste, and abuse as part of our fraud detection and prevention program for safeguarding the agency's assets. The following charts provide information from our OIG concerning fraud.







Fraud Reduction and Data Analytics Act Report

Fraud Reduction and Data Analytics Act

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

The report must include our progress in:

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

- Identifying risks and vulnerabilities to fraud; and
- Establishing strategies, procedures, and other steps to curb fraud.

Our Anti-Fraud Efforts

In FY 2018, the Acting Commissioner established a deputy commissioner-level organization, the Office of Analytics, Review, and Oversight (OARO). Under OARO, we realigned our anti-fraud programs, quality reviews, audits, appellate operations, business improvements, and advanced data analytics, allowing us to streamline collaborative efforts and increase effectiveness. Fraud threats are constantly evolving, and, in response, we must adapt our anti-fraud efforts. We continue to make changes to our processes to strengthen our ability to detect, deter, and prevent attempts to defraud agency programs. By realigning our organizational structure, we maximize our resources and better organize our efforts to centrally manage the oversight of the agency's anti-fraud efforts.

In coordination with OIG, we are making progress in our efforts to enhance an organizational culture and structure conducive to fraud risk management. Our anti-fraud efforts include:

- Continuing to expand our identification and mitigation of potential fraud risks by developing additional mitigation strategies for key risks identified in the disability fraud risk assessment and beginning a new fraud risk assessment for key eServices;
- Expanding Cooperative Disability Investigations (CDI) units;
- Hiring additional Special Assistant U.S. Attorney fraud prosecutors;
- Reviewing potential fraud cases in centralized Fraud Prevention Units (FPU) and the Special Review Cadre (SRC) in the Office of Hearings Operations;
- Delivering mandatory national anti-fraud training for all employees;
- Publishing new policy for anomalous iClaims prevention efforts;
- Increasing recovery efforts for funds lost due to fraud;
- Continuing efforts to prevent fraudulent redirection of direct deposits;
- Enhancing our data-analytic capabilities to detect potential fraud;
- Identifying anti-fraud metrics;
- Increasing the number of fraud allegation referrals to OIG and the number of cases resulting in prosecutions; and
- Engaging in inter-agency information sharing.

FRDAA Reporting Requirements

Implementing Financial and Administrative Controls

We are building on the accomplishments we reported in FY 2017, such as expanding our use of data analytics to enhance detection of potential fraud. In FY 2018, we deployed a new analytical model to detect potential fraud in disability claims. We also continued the use of data analytics to detect potential fraud within our iClaims workload, allowing us to detect and prevent fraudulent claims before a single payment is made. We continued our multi-year Anti-Fraud Communications Campaign, sharing information with the public regarding our anti-fraud capabilities. In July 2018, we released our annual, mandatory anti-fraud training to all of our employees.

In addition to these controls, we have financial and administrative controls in place to detect, deter, and mitigate fraud. Some examples of these controls are:

- CDI Units: CDI Units are joint efforts among SSA, OIG, and various State agencies to investigate potential fraud in the Title II and Title XVI disability programs. According to OIG, CDI units contributed more than $900 million to agency savings over the last 3 fiscal years. Currently, the CDI Program consists of 43 units covering 37 States, Washington, DC, and the Commonwealth of Puerto Rico. In FY 2019, we plan to add three additional CDI units. Our plan is to provide nationwide CDI coverage by the end of FY 2022.
- FPU: FPUs are specialized fraud units comprised of examiners dedicated to determining and acting on probable fraud cases and compiling data from the cases to help the agency further develop analytical tools to identify potential fraud.
- SRC: When OIG refers a cluster of cases in which there is a reason to believe that fraud or similar fault was involved, the SRC reviews and re-determines the identified hearing-level cases, consistent with the facts presented in the OIG referral, Office of the General Counsel advice, applicable laws, and agency policy.
- Sanctions: Administrative sanctions are penalties for making false or misleading statements or withholding material information in certain circumstances. Penalties are nonpayment of Title II benefits and ineligibility for Title XVI payments for specified periods.
- Civil Monetary Penalties (CMP): Section 1129 of the *Social Security Act* authorizes imposition of a CMP against anyone who makes false statements or misrepresentations, or materially withholds information in connection with obtaining or retaining benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*. Additionally, OIG may impose CMPs against representative payees for wrongful conversion of payments for their own use or failure to notify us of a material change in a beneficiary's living arrangements or work activity.

Identifying Risks and Vulnerabilities to Fraud

Preventing and combatting fraud is a core agency value, and we have various tools in place and under development to help us succeed.

In accordance with the requirements set forth in OMB Circular No. A-123, the agency updated the Enterprise Risk Management (ERM) risk profile in 2018. Implementation of an ERM framework improves strategic and risk mitigation decision-making throughout the agency by enabling managers to have a better understanding of inherent risks.

We continued to expand our identification and mitigation of fraud risks across the agency. In FY 2017, we conducted a fraud risk assessment of the disability program and identified several key fraud risks. In FY 2018, we convened a workgroup to develop strategies to mitigate the risks we identified. We also began a fraud risk assessment of key eServices, including *my* Social Security and iClaims. We are developing a long-term strategy and schedule to conduct fraud risk assessments, determine fraud risk tolerances, and document fraud risk profiles for major lines of business and services.

As noted in the FY 2017 report, we continue to expand our current anti-fraud systems and processes. Over a five-year phased period, we plan to develop, integrate, test, and implement additional fraud detecting data analytics to additional agency lines of business, focusing on the highest risk areas as identified by our fraud risk assessments and mitigation strategies.

In FY 2018, we executed the first disability fraud analytical model, to identify potential fraud in disability cases. We evaluated the model output of 36 clusters, comprised of approximately 3,000 cases, and made appropriate referrals to OIG for investigation. We began to redesign the e8551 allegation referral process to modernize the way agency and State DDS employees develop and refer allegations of potential fraud to OIG.

We use a variety of internal controls and techniques designed to deter the risk of fraud in the award and administration of contracts and grants, and to ensure the agency receives the services expected. To help mitigate the risk of fraud, we:

- Select contractors who have demonstrated abilities and a record of successful performance;
- Ensure that contract awardees and grantees are not on lists of excluded entities maintained by the government;
- Require contract review and approval at multiple levels;
- Require grantees to properly track the use of funds and maintain adequate supporting documentation;
- Require selected grantees to use grant funds in accordance with the terms of their grant agreements and to act with integrity when applying for and reporting their use of Federal funds; and
- Ensure that all contractor and grantee invoices are reviewed and approved by the client component that received the goods and services prior to payment.

ESTABLISHING STEPS TO CURB FRAUD

In February 2018, the agency released the *Fiscal Years 2018-2022 Agency Strategic Plan* (www.socialsecurity.gov/asp), which serves as the agency's blueprint to achieve its mission through 2022.

As part of our Strategic Goal to "Ensure Stewardship," we centrally manage our anti-fraud efforts and develop consistent anti-fraud policies; refine employee training; and solidify relationships with other Federal, State, and private partners to identify individuals who wrongfully obtain Title II and Title XVI payments.

We continue to expand the use of data analytics and predictive modeling to enhance fraud prevention and detection in our programs. Despite an increase in attempted fraud within our iClaims workload, we have proactively detected and prevented the vast majority of these claims before a single payment is made. We will continue to develop and refine our predictive models, allowing us to better identify suspicious patterns of activities, and prevent fraudulent actions.

We will continue to develop and conduct regular fraud risk assessments of our programs, in alignment with the GAO Framework. In FY 2018, we began work on our second fraud risk assessment, related to key eServices such as *my* Social Security and iClaim. We are developing a long-term strategy and schedule to develop fraud risk assessments, determine fraud risk tolerances, and document fraud risk profiles for major lines of business and services (including payroll, grants, large contracts, asset safeguards, and purchase/travel cards), consistent with the GAO Framework, FRDAA, and OMB Circular No. A-123. We will use the results of monitoring and evaluations to improve the design and implementation of fraud-risk management activities. Regular reporting of our anti-fraud activities will further help identify trends and track progress.

CIVIL MONETARY PENALTY ADJUSTMENT FOR INFLATION

The *Social Security Act* authorizes the Commissioner to impose a CMP for certain specific violations. Section 1129 of the *Social Security Act* authorizes the imposition of a CMP against anyone who makes any material false statements or representations to the agency or knowingly withholds a material fact from the agency, to obtain or retain benefits or payments under Titles II, VIII, or XVI of the *Social Security Act*. A CMP may also be imposed against representative payees for the wrongful conversion of Social Security payments entrusted to their care. Section 1140 of the *Social Security Act* authorizes the imposition of a CMP to protect the public from advertisements, solicitations, and other communications (including Internet websites) that may convey the false impression that the communication is approved, endorsed, or authorized by the agency. Section 1140 also prohibits the reproduction and sale of Social Security publications and forms without the agency's authorization and places restrictions on the charging for services that the agency provides to the public without charge. The Commissioner delegated authority to enforce the agency's CMP program to the Inspector General.

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

Civil Monetary Penalty Adjustments

Statutory Authority	Penalty	Year Enacted	Last Year of Adjustment (via statute or regulation)	Current Penalty Date of Adjustment	Current Penalty Level	Sub-Agency/ Bureau/Unit	Location for Penalty Update Details
Section 206 (b), *Social Security Independence and Program Improvements Act of 1994*, P. L. 103-296, 108 Stat. 1509	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8(a)(1))	1994	2018	01/15/2018	$0-$8,249	SSA/OIG	Federal Register 83 (January 2018): 1654-1655. (www.federalregister.gov/documents/2018/01/12/2018-00487/penalty-inflation-adjustments-for-civil-monetary-penalties)
Section 813 (c), *Bipartisan Budget Act of 2015*, P. L. 114-74, 129 Stat. 603	Flagrant Violation (Section 1129 of the *Social Security Act*, 42 U.S.C. 1320a-8(a)(1))	2015	2018	01/15/2018	$0-$7,779	SSA/OIG	Federal Register 83 (January 2018): 1654-1655. (www.federalregister.gov/documents/2018/01/12/2018-00487/penalty-inflation-adjustments-for-civil-monetary-penalties)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10(b)(1))	1988	2018	01/15/2018	$0-$10,260	SSA/OIG	Federal Register 83 (January 2018): 1654-1655. (www.federalregister.gov/documents/2018/01/12/2018-00487/penalty-inflation-adjustments-for-civil-monetary-penalties)
Section 428 (a), *Medicare Catastrophic Coverage Act of 1988*, P. L. 100-360, 102 Stat. 815	Flagrant Violation (Section 1140 of the *Social Security Act*, 42 U.S.C. 1320b-10(b)(2))	1988	2018	01/15/2018	$0-$51,302	SSA/OIG	Federal Register 83 (January 2018): 1654-1655. (www.federalregister.gov/documents/2018/01/12/2018-00487/penalty-inflation-adjustments-for-civil-monetary-penalties)

BIENNIAL REVIEW OF USER FEE CHARGES

SUMMARY OF FEES

In FY 2017 and FY 2018, we earned $288 million and $281 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 2018, we charged a fee of $11.87 per payment for the cost of administering State supplemental SSI payments. This fee will increase to $12.21 for FY 2019. We adjust the user fee annually based on the Consumer Price Index, unless the Commissioner of Social Security determines a different rate is appropriate for the States. We charge full cost for other reimbursable activity, such as earnings record requests from pension funds and individuals.

BIENNIAL REVIEW

The *Chief Financial Officers Act of 1990* requires biennial reviews by Federal agencies of agency fees and other charges imposed for services rendered to individuals as opposed to the American public in general. The objective of these reviews is to identify such activities, charge fees as permitted by law, and periodically adjust these fees to reflect current costs or market value. Based on our FY 2018 review, we identified updates to the uniform standard fee structure for non-programmatic workloads previously implemented in FY 2016. We are planning to perform another review of these fees during FY 2020.

REDUCE THE FOOTPRINT

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

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

Reduce the Footprint Policy Baseline Comparison

	FY 2015 Baseline	FY 2017	Change from FY 2015 Baseline	FY 2018	Change from FY 2015 Baseline
Useable square footage	11,701,596	11,443,466	-258,130 or -2.2%	Not Available[1]	Not Available[1]

Note:

1. The agency works with the General Services Administration (GSA) to reconcile Reduce the Footprint useable square footage and it will not be available until the second quarter of FY 2019. We will report the FY 2018 data in our FY 2019 *Agency Financial Report.*

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

Operation and Maintenance Cost – Owned and Direct Lease Buildings Table

	FY 2015 Reported Cost	FY 2018	Change
Operation and maintenance cost	Not Applicable	Not Applicable	Not Applicable

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

- Analyzing rent trend projections, while evaluating market gap opportunities to identify locations where it makes sense to renegotiate lower rent rates with lessors;
- Optimizing space by identifying and improving the overall utilization rate in new projects;
- Reviewing field and hearing office Federal building occupancies to determine if the current space meets the 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 analyze our telework practices and seek opportunities to utilize our space more efficiently.

Grants Oversight and New Efficiency Act Reporting

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

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

Grants and Cooperative Agreements Summary Table

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

Debt Collection and Management

Debt Collection

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

In FY 2018, we recovered approximately $3.931 billion using both our internal and external collection tools. Over the last 5 years (FY 2014 through FY 2018), we have collected a total of $17.788 billion. The following tables provide a description of each of our internal and external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

Internal Collections

We utilize internal collection tools to recover payments of delinquent debt for individuals **in current pay**. In FY 2018, we recovered $3.731 billion using our internal collection tools, which accounted for about 95 percent of our total collections amount. Over the last 5 years (FY 2014 through FY 2018), we have collected a total of $16.807 billion using our internal collection tools. The following table provides a description of each of our internal debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

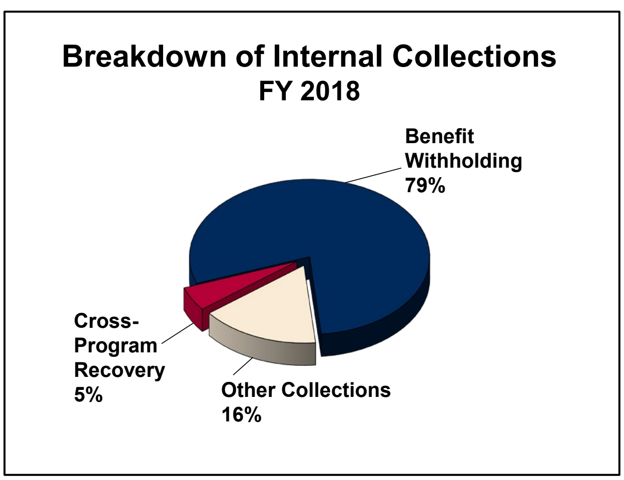
Internal Collections During Fiscal Year 2018
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	Total
Benefit Withholding	We withhold some or all benefit payments for Title II beneficiaries and Title XVI recipients in current pay. Benefit withholding typically accounts for the largest recovery of our total collections amount.	$2.098	$0.851	$2.949
Cross-Program Recovery (CPR)	CPR collects OASDI overpayments from monthly SSI payments and underpayments, and SSI overpayments from monthly OASDI benefit payments and underpayments.	$0.026	$0.167	$0.193
Other Collections	These are mostly voluntary payments received because of a notice requesting a refund of an overpayment.	$0.331	$0.259	$0.590
Total Internal Collections	The total amount recovered by utilizing our internal collection tools.	$2.454	$1.277	$3.731

Notes:

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

The following chart highlights the allocation of overpayments collected through our various internal collection tools as a proportion of the total FY 2018 $3.731 billion internal collections amount.



EXTERNAL COLLECTIONS

We utilize external collection tools to recover payments of delinquent debt for beneficiaries and recipients **no longer in current pay**. In FY 2018, we recovered $199.783 million using our external collection tools, which accounted for about 5 percent of our total collections amount. Over the last 5 years (FY 2014 through FY 2018), we have collected a total of $1 billion using our external collection tools. The following table provides a description of each of our external debt collection techniques for OASDI and SSI overpayments, and a summary of the results.

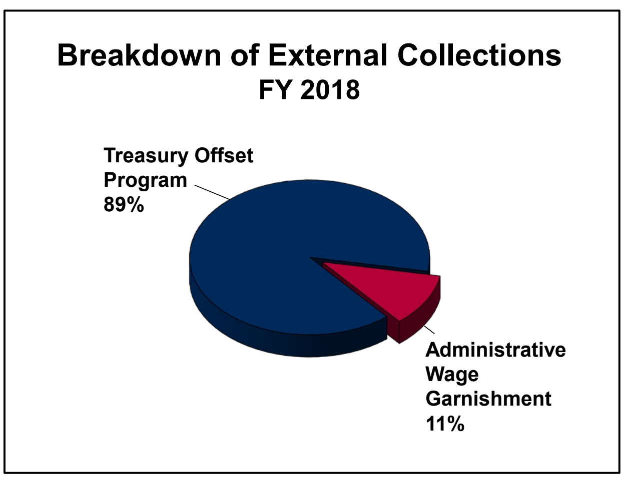
External Collections During Fiscal Year 2018
(Dollars in Billions)

Recovery Method	Description	OASDI	SSI	Total
Treasury Offset Program (TOP)	TOP allows us to collect delinquent debt by tax refund offset, administrative offset, and Federal salary offset.	$0.101	$0.077	$0.178
Administrative Wage Garnishment (AWG)	AWG allows us to recover delinquent OASDI and SSI overpayments by ordering a debtor's employer to garnish up to 15 percent of the debtor's private-sector disposable pay (i.e., that part of a worker's total compensation after deduction of health insurance premiums and required deductions).	$0.017	$0.005	$0.022
Total External Collections	The total amount recovered by utilizing our external collection tools.	$0.118	$0.082	$0.200

Notes:

1. Totals do not necessarily equal the sum of rounded components.
2. For information on administrative overpayment collections, please refer to the Recapture of Improper Payments Reporting section of the *Payment Integrity* report.
3. We also use credit bureau reporting, non-entitled debtors, and automatic netting SSI as external collection tools. Collections derived from these recovery methods are subsets of the main recovery methods displayed in the table above. However, we still track these collections for informational and decision-making purposes.

The following chart highlights the allocation of overpayments collected through our various external collection tools as a proportion of the total FY 2018 $199.783 million external collections amount.



DEBT MANAGEMENT

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

We identified a system limitation in the processing of certain overpayments. In July 2011, GAO issued an audit report on the DI program entitled, "*Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*." In that audit, GAO identified an OASDI system limitation concerning long-term withholding agreements that extend past the year 2049. When we detect overpayments, we often find that disabled beneficiaries lack the means to repay us immediately. In many of these cases, we establish long-term repayment plans and withhold a portion of individuals' monthly benefits. We often withhold minimal amounts to avoid imposing undue hardships, and some repayment plans extend beyond the year 2049. We do so recognizing that a portion of this debt will prove uncollectible because some plans exceed beneficiaries' expected lifetimes. We estimate that approximately 58,000 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 $688 million. This amount is not material to the consolidated financial statements.

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

FY 2018 Quarterly Debt Management Activities Program and Administrative Table
(Dollars in Millions)

	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
Total receivables	$22,828	$23,177	$23,623	$24,484
New receivables	1,697	3,507	5,345	7,943
Total collections	(993)	(1,954)	(2,876)	(3,992)
Adjustments	(325)	(647)	(915)	(1,333)
Total write-offs	(195)	(373)	(575)	(778)
- Waivers	(84)	(163)	(245)	(329)
- Terminations	(111)	(210)	(330)	(449)
Aging schedule of debts:				
- Non delinquent debt	13,102	13,475	13,741	14,272
- Delinquent debt				
- 180 days or less	2,063	1,816	1,764	1,900
- 181 days to 10 years	6,685	6,881	7,076	7,233
- Over 10 years	978	1,005	1,042	1,079
- Total delinquent debt	$9,726	$9,702	$9,882	$10,212

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

	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Total receivables	$18,252	$19,361	$21,014	$22,644	$24,484
New receivables	5,976	5,865	6,420	7,602	7,943
Total collections	(3,686)	(3,692)	(3,604)	(3,888)	(3,992)
Adjustments	(309)	(446)	(536)	(1,297)	(1,333)
Total write-offs	(775)	(618)	(627)	(787)	(778)
- Waivers	(373)	(342)	(275)	(339)	(329)
- Terminations	(402)	(276)	(352)	(448)	(449)
Non delinquent debt	11,895	12,210	12,984	13,628	14,272
Total delinquent debt	$6,357	$7,151	$8,030	$9,016	$10,212
Percentage Analysis					
% of outstanding debt:					
- Non delinquent	65.2%	63.1%	61.8%	60.2%	58.3%
- Delinquent	34.8%	36.9%	38.2%	39.8%	41.7%
% of debt estimated to be uncollectible*	25.5%	24.2%	42.7%	42.6%	43.5%
% of debt collected	20.2%	19.1%	17.2%	17.2%	16.3%
% change in collections from prior fiscal year	-3.4%	0.2%	-2.4%	7.9%	2.7%
% change in delinquencies from prior fiscal year	10.0%	12.5%	12.3%	12.3%	13.3%
Clearances as a % of total receivables	24.4%	22.3%	20.1%	20.6%	19.5%
- Collections as a % of clearances	82.6%	85.7%	85.2%	83.2%	83.7%
- Write-offs as a % of clearances	17.4%	14.3%	14.8%	16.8%	16.3%
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	16	17	15	16
- DI	55	62	55	44	45
- SSI	39	43	42	43	43

Note:

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

Definitions:

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

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

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

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

PAYMENT INTEGRITY

BACKGROUND

Our Old-Age and Survivors Insurance (OASI), Disability Insurance (DI) (referred to as OASDI when discussing them in combination), and Supplemental Security Income (SSI) program integrity workloads are critical to ensuring efficient programs and accurate payments. We take our responsibility to reduce improper payments seriously. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs, including minimizing improper payments. "Ensure Stewardship" is a Strategic Goal in our *Agency Strategic Plan for Fiscal Years* (FY) *2018-2022* (www.socialsecurity.gov/agency/asp). Each year, we report improper payment findings, both overpayments and underpayments, from our stewardship reviews of the non-medical aspects of the OASI, DI, and SSI programs. Regarding the medical aspects of our disability programs, we conduct continuing disability reviews (CDR) to determine whether disability beneficiaries continue to meet the programs' medical criteria. However, terminating disability benefits after a CDR does not necessarily mean that the original determination was incorrect; it may mean the beneficiary's medical condition has improved to the point he or she can work. Therefore, we consider the benefits he or she received before improvement to be proper.

In accordance with the Office of Management and Budget (OMB) guidelines for implementing the provisions of the *Improper Payments Information Act of 2002* (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010* (IPERA) and the *Improper Payments Elimination and Recovery Improvement Act of 2012* (IPERIA), we report as improper those payments that 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, effective FY 2018, any program with $2 billion in improper payments qualifies as a high-priority program, and agencies must report improper payments in those programs. For FYs 2014–2017, the annual threshold was $750 million. Two of our programs meet OMB's definition of high-priority programs: OASDI and SSI. More information about the improper payments in our high-priority programs for FY 2018 and previous years can be found on OMB's improper payment website (www.paymentaccuracy.gov).

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

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

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

PAYMENT REPORTING

IMPROPER PAYMENTS STRATEGY

For FY 2018, 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 "Ensure Stewardship." To help ensure stewardship and efficient administration of our programs, we continue to focus our efforts on improving program integrity.

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

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

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

This fiscal year, based upon our stewardship reviews and other efforts, we identified the leading causes of improper payments and major quality issues and selected workloads where we can collectively make meaningful progress by the end of FY 2019, based on the FY 2019 President's Budget. Building on our current efforts and processes, we will focus on two key areas: (1) combating the leading cause of improper payments; and (2) improving quality and program integrity.

We have identified four priority initiatives to achieve our Strategic Objective:

- Promote the use of myWage Reporting;
- Improve the death reporting system process;
- Modernize the program overpayment remittance system; and
- Continue cost-effective program integrity work.

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

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

- Improve the integrity of the SSI program by focusing our efforts on reducing overpayments;
- Maintain a high payment accuracy rate by reducing overpayments in the OASDI program; and

- Ensure the quality of our decisions by achieving the State disability determination services (DDS) net accuracy rate for initial disability decisions.

We provide more information about our performance measures in our *Annual Performance Plan for FYs 2018-2019 (www.socialsecurity.gov/agency/performance)*.

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

OMB requires agencies that have programs or activities that are susceptible to significant improper payments to list the programs and related improper payment rates in one table. Table 1 shows the improper payment rates for the OASI, DI, OASDI, and SSI programs for FY 2017. In Table 1, we also include our improper payment rates for funds we spent to support Hurricane Sandy recovery activity, since they are also considered susceptible to significant improper payments by the *Disaster Relief Appropriations Act of 2013* (DRAA). We calculate the overpayment rate by dividing overpayment dollars by total dollars paid, and the underpayment rate by dividing underpayment dollars by total dollars paid. We calculate the improper payment rate by adding overpayment and underpayment dollars and dividing by the sum total of dollars paid.

Please see Table 1.1 for more details about our improper payment rates for the OASI and DI programs for FYs 2015, 2016, and 2017. For our SSI program, please see Table 1.2 for more details about our improper payment rates for the SSI program for FYs 2015, 2016, and 2017.

Table 1: Improper Payments Experience
FY 2017
(Dollars in Millions)

	OASI	DI	OASDI	SSI	DRAA	Total
FY 2017 Outlays	$780,787.23	$129,222.32	$910,009.54	$56,495.45	$0.00	$966,504.99
FY 2017 Proper Payment $	$778,229.98	$125,621.74	$903,851.72	$51,738.00	$0.00	$955,589.72
FY 2017 Proper Payment %	99.67%	97.21%	99.32%	91.58%	100.00%	98.87%
FY 2017 Improper Payment $	$2,557.24	$3,600.57	$6,157.82	$4,757.44	$0.00	$10,915.26
FY 2017 Improper Payment %	0.33%	2.79%	0.68%	8.42%	0.00%	1.13%
FY 2017 Overpayment $	$2,458.54	$3,405.49	$5,864.03	$4,121.02	$0.00	$9,985.05
FY 2017 Overpayment %	0.31%	2.64%	0.64%	7.29%	0.00%	1.03%
FY 2017 Underpayment $	$98.71	$195.08	$293.79	$636.42	$0.00	$930.21
FY 2017 Underpayment %	0.01%	0.15%	0.03%	1.13%	0.00%	0.10%

Notes:

1. Total OASDI and SSI outlays for FY 2017 represent estimated cash outlays while conducting the annual stewardship reviews and may vary from actual cash outlays. OASDI totals may not equal the sum of OASI and DI amounts due to rounding.
2. OASDI outlays are estimates based on limited sample sizes.
3. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive percentages from unrounded source data.

OASDI Experience

Over the last 5 years (FYs 2013-2017), based on our stewardship reviews, we estimate that we paid approximately $3.7 trillion to OASI beneficiaries. Of that total, we estimate $9.3 billion were overpayments, representing approximately 0.25 percent of outlays. We estimate that underpayments during this same period were $2.1 billion, the equivalent of approximately 0.06 percent of outlays.

Applying the same analysis to the DI program, we estimate that we paid $684.8 billion to DI beneficiaries over the last 5 years (FYs 2013-2017). Of that total, we estimate $8.0 billion were overpayments, representing approximately 1.16 percent of outlays. We estimate underpayments during this same period totaled $1.0 billion, the equivalent of approximately 0.15 percent of outlays.

Table 1.1 shows the estimated improper payment rates for the OASI and DI programs for FYs 2015, 2016, and 2017.

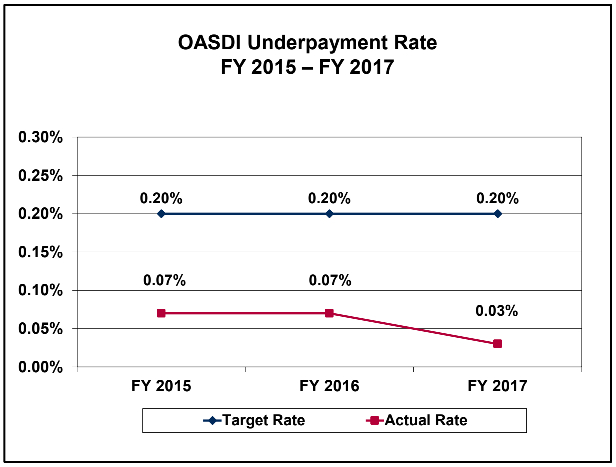
Table 1.1: OASDI Improper Payments Experience FY 2015 – FY 2017 (Dollars in Millions)

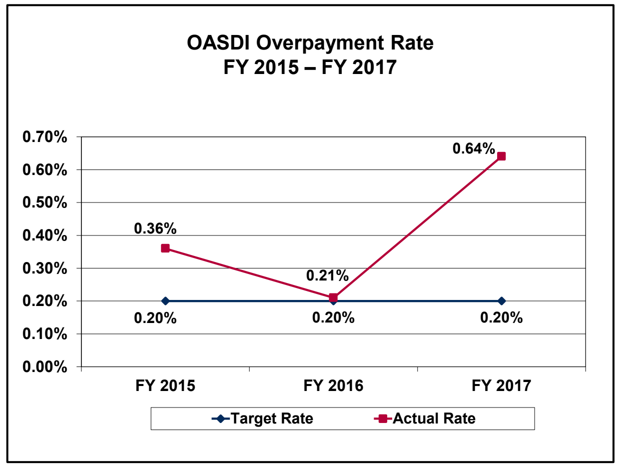
	FY 2015		FY 2016		FY 2017	
	Dollars	Rate	Dollars	Rate	Dollars	Rate
OASI						
Total Benefit Payments	$712,644.02		$770,538.77		$780,787.23	
Underpayment Error	$371.62	0.05%	$628.44	0.08%	$98.71	0.01%
Overpayment Error	$1,575.47	0.22%	$1,210.73	0.16%	$2,458.54	0.31%
DI						
Total Benefit Payments	$141,045.42		$140,661.52		$129,222.32	
Underpayment Error	$200.14	0.14%	$41.62	0.03%	$195.08	0.15%
Overpayment Error	$1,524.93	1.08%	$697.60	0.50%	$3,405.49	2.64%
Combined OASDI						
Total Benefit Payments	$853,689.44		$911,200.29		$910,009.54	
Underpayment Error	$571.76	0.07%	$670.06	0.07%	$293.79	0.03%
Underpayment Target		≤0.20%		≤0.20%		≤0.20%
Overpayment Error	$3,100.40	0.36%	$1,908.33	0.21%	$5,864.03	0.64%
Overpayment Target		≤0.20%		≤0.20%		≤0.20%

Notes:

1. Total benefit payments for FYs 2015-2017 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 2018 data will not be available until summer 2019.
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 2015, +0.03 percent and –0.04 percent for underpayments and +0.14 percent and –0.15 percent for overpayments; for FY 2016, +0.07 percent and –0.10 percent for underpayments and +0.13 percent and –0.12 percent for overpayments; and for FY 2017, +0.01 percent and –0.01 percent for underpayments and +0.30 percent and –0.33 percent for overpayments.
6. DI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2015, +0.13 percent and –0.25 percent for underpayments and +1.07 percent and –1.18 percent for overpayments; for FY 2016, +0.02 percent and –0.06 percent for underpayments and +0.49 percent and –0.53 percent for overpayments; and for FY 2017, +0.14 percent and –0.27 percent for underpayments and +2.6 percent and –2.6 percent for overpayments.
7. OASDI statistical precision is at the 95 percent confidence level for all rates shown. Confidence intervals are: For FY 2015, +0.23 percent and –0.24 percent for underpayments and +0.05 percent and –0.04 percent for overpayments; for FY 2016, +0.06 percent and –0.09 percent for underpayments and +0.12 percent and –0.12 percent for overpayments; and for FY 2017, +0.02 percent and –0.06 percent for underpayments and +0.36 percent and –0.37 percent for overpayments.
8. Changes in the OASDI error rates from FY 2015 to 2016 are not statistically significant. The change in the OASDI underpayment error rate from FY 2016 to FY 2017 is not statistically significant. The change in the OASDI overpayment error rate from FY 2016 to FY 2017 is statistically significant.
9. 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 error rates and our corrective action plans to reduce them. While we strive to improve our efforts to reduce improper payments, outcomes must be significant to affect our error rate. To have an effect on improper payments, for FY 2017 each tenth of a percentage point in payment accuracy represents about $910 million in program outlays for the OASDI program.

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





The increase in the FY 2017 overpayment error rate was primarily caused by Substantial Gainful Activity (SGA) (a definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html) and Government Pension Offset (GPO) (a definition of GPO is available at: www.socialsecurity.gov/pubs/EN-05-10007.pdf) errors and is statistically significant. The SGA errors primarily occurred due to the beneficiaries' failure to report his or her work activity. GPO errors occur due to the beneficiaries' failure to report the receipt of or changes in their pension. GPO errors also occurred when we did not take proper action to impose the offset.

SSI EXPERIENCE

Over the last 5 years (FYs 2013-2017), based on our stewardship reviews, we estimate that we paid approximately $281.7 billion to SSI recipients. Of that total, we estimate $20 billion were overpayments, representing about 7 percent of outlays. We estimate that underpayments during this same period were $3.9 billion, the equivalent of approximately 1.4 percent of outlays.

Table 1.2 shows the estimated improper payment rates for the SSI program for FYs 2015, 2016, and 2017.

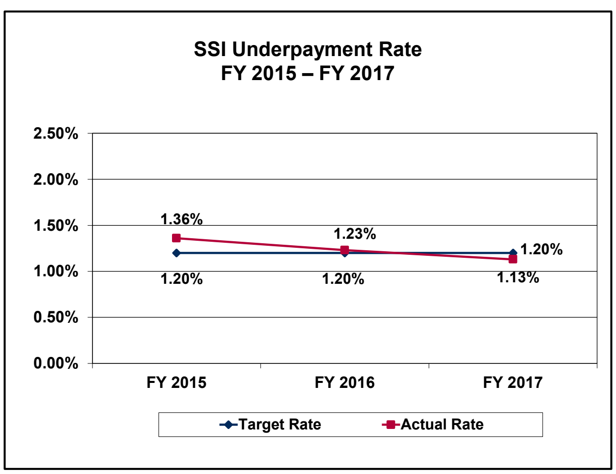
Table 1.2: SSI Improper Payments Experience
FY 2015 - FY 2017
(Dollars in Millions)

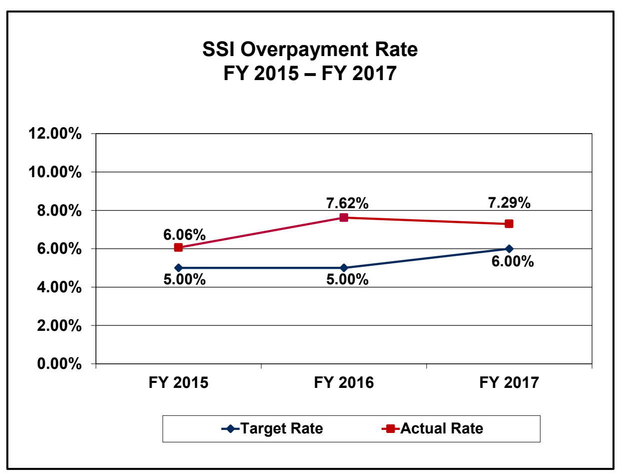
	FY 2015	FY 2016	FY 2017
Total Federally Administered Payments			
Dollars	$56,625.58	$56,754.07	$56,495.45
Underpayments			
Dollars	$770.20	$696.01	$636.42
Target Rate	≤1.20%	≤1.20%	≤1.20%
Actual Rate	1.36%	1.23%	1.13%
Overpayments			
Dollars	$3,431.29	$4,323.93	$4,121.02
Target Rate	≤5.00%	≤5.00%	≤6.00%
Actual Rate	6.06%	7.62%	7.29%

Notes:

1. Total federally-administered payments represent estimated program outlays while conducting the annual stewardship reviews and may vary from actual outlays.
2. FY 2018 data will not be available until summer 2019.
3. The percentages and dollar amounts presented in Table 1.2 are 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 2015, ±0.51 percent for underpayments and ±0.64 percent for overpayments; for FY 2016, ±0.31 percent for underpayments and ±1.08 percent for overpayments; and for FY 2017, ±0.30 percent for underpayments and ±1.04 percent for overpayments.
5. Please note that year-to-year differences from changes in the SSI overpayment error rates from FY 2015 to FY 2016 are statistically significant. The change in the SSI overpayment and underpayment error rates from FY 2016 to FY 2017 are not statistically significant.
6. 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 SSI error rates and our corrective action plans to reduce them. While we strive to improve our efforts to reduce improper payments, outcomes must be significant to affect our error rate. To have an effect on improper payments, for FY 2017, each tenth of a percentage point in payment accuracy represents about $56.4 million in program outlays for the SSI program.

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





Improper Payment Root Cause Categories

Table 2 lists the major causes of improper payments (overpayments and underpayments) in the OASDI and SSI programs using OMB's seven categories of error.

Table 2: Improper Payment Root Cause Category Matrix for FY 2017
(Dollars in Millions)

	OASDI Program		SSI Program		DRAA	
Reason for Improper Payment	Overpayment	Underpayment	Overpayment	Underpayment	Overpayment	Underpayment
Program Design or Structural Issue	$0	$0	$0	$0	$0	$0
Inability to Authenticate Eligibility						
Inability to Access Data	$460.36	$0	$3,540.68	$278.50	$0	$0
Data Needed Does Not Exist	$0	$0	$303.53	$241.82	$0	$0
Failure to Verify:						
Death Data	$795.53	$0	$8.23	$0	$0	$0
Financial Data	$0	$0	$43.94	$29.04	$0	$0
Excluded Party Data	$0	$0	$0	$0	$0	$0
Prisoner Data	$0	$0	$0	$0	$0	$0
Other Eligibility Data	$4,031.55	$30.26	$40.81	$40.00	$0	$0
Administrative or Process Error Made by:						
Federal Agency	$576.59	$263.53	$183.83	$47.06	$0	$0
State or Local Agency	$0	$0	$0	$0	$0	$0
Other Party (e.g., participating lender, health care provider, or any other organization administering Federal dollars)	$0	$0	$0	$0	$0	$0
Medical Necessity	$0	$0	$0	$0	$0	$0
Insufficient Documentation to Determine	$0	$0	$0	$0	$0	$0
Other Reason (explain)	$0	$0	$0	$0	$0	$0
TOTAL	$5,864.03	$293.79	$4,121.02	$636.42	$0	$0

Notes:

1. Data Source: FY 2017 OASDI and SSI stewardship reviews. FY 2018 data will not be available until summer 2019.
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.
4. Beginning in 2015, OMB required us to categorize improper payments in our programs into seven categories as defined below:
   - **Program Design or Structural Issue** – Improper payments resulting from the design of the program or a structural issue.
   - **Inability to Authenticate Eligibility** – Improper payments issued because the agency is unable to authenticate eligibility criteria.
     - **Inability to Access Data** – The data needed to authenticate eligibility exists but the agency is unable to access the data prior to making the payment. For our OASDI corrective action related to this improper payment category, refer to the Other Major Causes and Corrective Actions in the OASDI and SSI Programs section; Marital Status Information. For our SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; Financial Accounts (Table 2.7), Wages (Table 2.9), and Other Real Property (Table 2.13).
     - **Data Needed Does Not Exist** – No database or dataset currently exists that the agency can use to check eligibility prior to making the payment. For our SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; In-kind Support and Maintenance (ISM) (Table 2.11).
   - **Failure to Verify Data** – Improper payments issued because the agency or another party administering Federal dollars fails to verify appropriate data to determine whether or not a recipient should be receiving a payment, even though such data exists in government or third-party databases.
     - **Death Data** – Failure to verify that an individual is deceased and the agency pays that individual. For more information, see the Additional Comments 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 2.7) and Other Real Property (Table 2.13).
     - **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 ISM. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; SGA (Table 2.2). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; ISM (Table 2.11).
   - **Administrative or Process Errors Made** – Improper payments caused by incorrect data entry, classifying, or processing of applications or payments made by Federal, State, local agencies, or other organizations that administer Federal dollars. For OASDI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for OASDI Improper Payments section; Increase Post-Entitlement Accuracy (Table 2.4) and Potential Entitlements (Table 2.5). For SSI corrective actions related to this improper payment category, refer to the Major Causes and Corrective Actions for SSI Improper Payments section; ISM (Table 2.11).
   - **Medical Necessity**– Improper payments issued to a medical provider who delivers a service or item that does not meet coverage requirements for medical necessity.
   - **Insufficient Documentation to Determine** – Improper payments issued when there is a lack of supporting documentation necessary to verify accuracy of a payment identified in the improper payment testing sample.
   - **Other Reason** – Improper payments caused by payment errors that do not fit in the above categories.

IMPROPER PAYMENT CORRECTIVE ACTIONS

MAJOR CAUSES AND CORRECTIVE ACTIONS FOR OASDI IMPROPER PAYMENTS

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

SUBSTANTIAL GAINFUL ACTIVITY

Description:

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

Historical Figures:

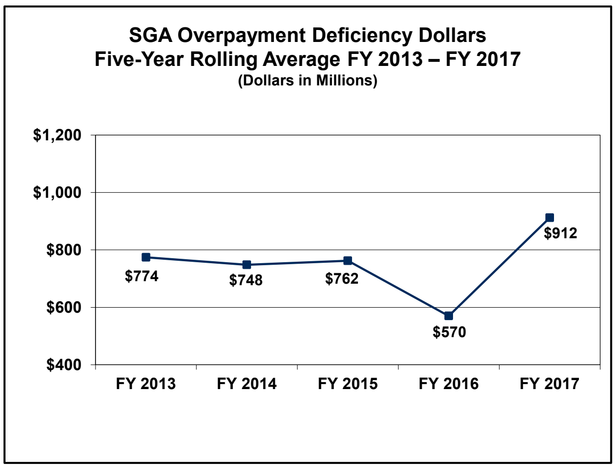


Table 2.1: SGA Overpayment Deficiency Dollars
FY 2013 – FY 2017
(Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayments	$774	$748	$762	$570	$912

Corrective Actions:

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

Table 2.2: SGA – Corrective Actions

Description	Target Completion	Status
Audit Recommendation		
To help minimize improper payments, we agreed with an audit recommendation to prioritize identifying cases where we failed to terminate the disability payments following medical cessation determinations.	Ongoing	We continue to have ongoing discussions with appropriate stakeholders to enhance our automated solutions to prevent such errors in the future; however, since November 2015, we have released approximately 26,270 cases for corrective action and cessation. This workload continues to be a priority for the agency and once automation is fully implemented, we will see a significant reduction in the workload.
Predictive Model		
We have developed Work Smart to identify DI beneficiaries who are working and require a work CDR to determine if they should remain in current pay. This process builds on the existing Continuing Disability Review Enforcement Operation (CDREO) by integrating quarterly work CDR alerts using quarterly earnings from the Office of Child Support Enforcement (OCSE). We receive quarterly alerts up to one year earlier than the annual earnings data from the Internal Revenue Service (IRS). This allows us to identify beneficiaries working above SGA up to one year in advance compared to annual earnings. We have also incorporated a Monthly Earnings Pilot (MEP) project, which will use monthly earnings reported by Sections 824 and 826 of the *Bipartisan Budget Act of 2015*. Work Smart includes a national screening program that removes select cases that do not require a work CDR. Using monthly earnings data, we are developing an Auto CDR process that will complete work CDRs for beneficiaries whose monthly earnings remain below SGA during the entire year.	Ongoing	In FY 2018, the Quarterly Earnings Project selected over 30,000 cases requiring a work CDR using OCSE data. These cases were completed up to one year in advance of the annual earnings data. In FY 2018, MEP selected about 7,000 cases requiring a work CDR. When we implement Section 824 of the *Bipartisan Budget Act of 2015,* we will introduce monthly earnings into Work Smart as another form of earnings data that will allow us to identify beneficiaries working above SGA. Implementation of the information exchange is contingent on awarding a new contract and contract negotiations are currently on hold. Therefore, the target implementation date of Section 824 of the *Bipartisan Budget Act of 2015* information exchange is yet to be determined.

Description	Target Completion	Status
Legislation and Legislative Proposals		
Section 826 of the *Bipartisan Budget Act of 2015* requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	Completed FY 2017 Completed FY 2018	In September 2017, we implemented a new online wage reporting application where Social Security DI beneficiaries and their representative payees can report wages online through their *my* Social Security account. In June 2018, we released myWageReport (myWR) for SSI and concurrent beneficiaries to allow recipients, their representative payees, or deemors (e.g., an ineligible spouse or parent living with the recipient) to have a convenient option to report earnings electronically. In September 2018, we added new software to perform monthly analysis of paystub information entered into our systems to alert field offices of cases that require a work review. We capture this new alert in our management information to allow management to quickly identify, assign, and monitor. The results will allow us to respond to earnings at the earliest possible point to improve CDR processing times and reduce improper payments.
Section 824 of the *Bipartisan Budget Act of 2015* authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the DI and SSI programs and to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for any omission or error in the wages provided by the payroll data provider.	To be determined (TBD)	To implement the *Bipartisan Budget Act of 2015* authority, we obtained executive approval on the business process document and began systems planning and analysis in November 2016. We convened a cross-agency project team to collaborate on implementing Section 824 of the *Bipartisan Budget Act of 2015* and other wage-related provisions. In September 2017, we implemented the first phase of Section 824 of the *Bipartisan Budget Act of 2015,* which allows the agency to collect and store authorization from DI and SSI applicants and beneficiaries to obtain their payroll data via the information exchange. Additionally, we have made enhancements to the application we use to process wage determinations for DI to support the information exchange. For example, we added help pages and created notifications of earnings discrepancies. In September 2018, we implemented additional enhancements, such as creating alerts to notify employees that wage data indicates the need for a review. For the information exchange under Section 824 of the *Bipartisan Budget Act of 2015*, we are moving forward to develop the agency's requirements and conducting market research needed to announce a contracting opportunity for payroll data providers. Implementation of the information exchange is contingent on awarding a contract.

COMPUTATIONS

Description:

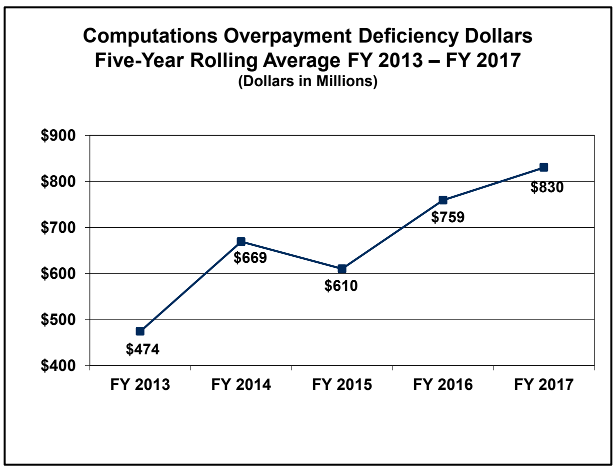
Errors in computations are a major cause of both OASDI overpayments and underpayments. Our goal is to correct and prevent instances where a recipient or beneficiary has potential entitlement to, but is not receiving, a new or higher benefit.

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

Inaccurate information or administrative mistakes can cause errors in calculating benefits. For FYs 2013-2017, approximately 72 percent of the computation error dollars resulted in overpayments, with the leading causes being the Windfall Elimination Provision or WEP (a defintion of WEP is available at: www.socialsecurity.gov/pubs/EN-05-10045.pdf), failure to apply the Retirement Insurance Benefit Limitation (RIB-LIM) when applicable, and adjustment of the family maximum or FMAX (an explanation of FMAX is available at: https://www.ssa.gov/OACT/COLA/familymax.html). RIB-LIM applies when a deceased beneficiary would have received a reduced retirement benefit. Under RIB-LIM, the maximum benefit for a surviving spouse or surviving divorced spouse is limited to the larger of 82.5 percent of the deceased beneficiary's death Primary Insurance Amount or the benefit amount that the deceased beneficiary would receive if he or she were still alive. WEP accounted for 63 percent of computation error dollars for the 5-year period, while RIB-LIM and FMAX, respectively, accounted for 9 percent and 8 percent of these error dollars.

Historical Figures:

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



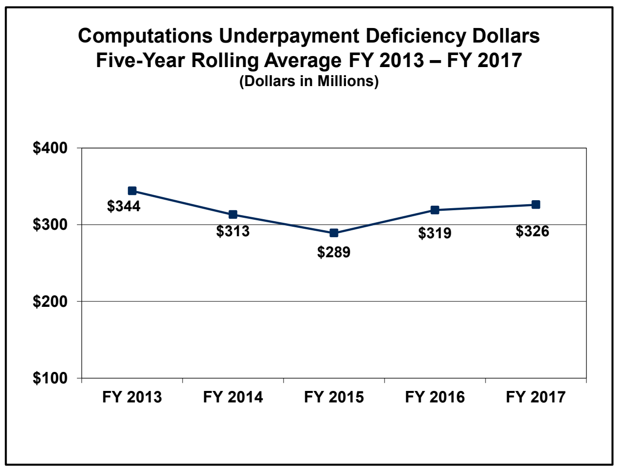


Table 2.3: Computations Deficiency Dollars
FY 2013 – FY 2017
(Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayments	$474	$669	$610	$759	$830
Underpayments	$344	$313	$289	$319	$326

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 DI beneficiaries whose earnings put them at risk of being overpaid. The process builds on the current CDREO by integrating quarterly work CDR alerts based on quarterly earnings from OCSE into the CDREO process. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work-related overpayments. Work Smart will also include a national screening program that removes unproductive work CDRs from the CDREO process so technicians can evaluate cases where a beneficiary is working over SGA.

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

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

Table 2.4: Increase Post-Entitlement Accuracy – Corrective Actions

Description	Target Completion	Status
Provide better descriptive definitions of the OASDI systems alert, exception, and processing limitation codes to give technicians more precise information on actions needed.	Ongoing	We completed planning and analysis in September 2016. We began updating problematic OASDI system alerts, exceptions, and processing limitation codes with better descriptive definitions in FY 2017. The updates are released on an ongoing basis. We meet monthly to discuss and approve the language of the updates.
Review the most problematic overpayment cases being completed in our Office of Disability Operations. Our objective is to determine the root causes of overpayment errors and provide recommendations to address improved processing.	Ongoing	This project is ongoing. We began a national processing center overpayment study in April 2016. In FY 2016, we focused on overpayments due to disability cessation or extended period of eligibility. We published the report in November 2017. Based on our review, we recommended training and a systems enhancement to improve processing. In FY 2017, we focused on overpayments due to annual retirement test permanent deductions and completed a draft report August 2018. Based on our review, we recommended issuing annual earnings test processing reminders to technicians to improve processing. The FY 2018 review of disability overpayments was completed in September 2018 and we expect to issue a report in December 2018.

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

- Initiated four outreach efforts dealing with vulnerable populations such as widows, veterans, the aged, and disabled children.
- Implemented systems changes for three projects dealing with widows, children, and the aged.
- Developed a community outreach plan to promote OASDI surviving parent's benefits.
- Completed analysis on projects involving potential entitlement situations for minor children, Medicare only beneficiaries, military service retirees, and disabled children.
- Selected projects to address in FY 2018. Please see the Corrective Actions in Table 2.5 for a complete list.

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

Table 2.5: Potential Entitlements – Corrective Actions

Description	Target Completion	Status
Pursue potential entitlement workloads.	Completed FY 2018	• In FY 2018, key potential entitlement efforts included: ○ Completing the processing of 1,249 cases involving childhood disability beneficiaries (CDB) incorrectly charged with a 5-month waiting period in March 2018. ○ Processing cases involving 13,934 SSI recipients currently on our rolls who are eligible for CDB benefits. We completed these cases in June 2018. ○ Paying veterans who were not given full credit for their military service (i.e., analyzing and preparing military service cases to credit appropriate wages). ○ Identifying individuals incorrectly denied retirement benefits due to lack of insured status. ○ Identifying Federal employees eligible for benefits and/or Medicare entitlement.
	FY 2019	• In FY 2019, key potential entitlement efforts will include: ○ Resuming benefits to 6,365 spouses and children due underpayments because we resumed benefits to the number holder, but did not resume benefits to the auxiliaries following a termination. We completed these cases in October 2018. ○ Processing 27,565 cases involving SSI recipients entitled to child benefits on the record of a parent. We expect to complete these cases by March 2019. ○ Preparing to conduct outreach to notify at least 20,000 disabled beneficiaries who listed children on their benefit applications, but no application or closeout is present for them, that the children may be due benefits. ○ Releasing approximately 12,000 updated outreach notices to Medicare-only beneficiaries who are eligible for retirement benefits, but have not filed an application. ○ Conducting outreach to approximately 9,000 workers who were previously denied retirement benefits due to lack of insured status, but are now insured. ○ Conducting outreach to approximately 17,000 workers with Medicare Qualified Government Earnings that are eligible for retirement benefits or Medicare coverage that they are not receiving.

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

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

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

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

Over the last five years, the major causes of underpayments in the SSI program have been errors or omissions in the following:

- ISM;
- Living arrangements; and
- Wages.

Later in this section, we provide information on our corrective actions for living arrangements under the corrective action for 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, which is the leading cause of SSI overpayments.

Historical Figures:

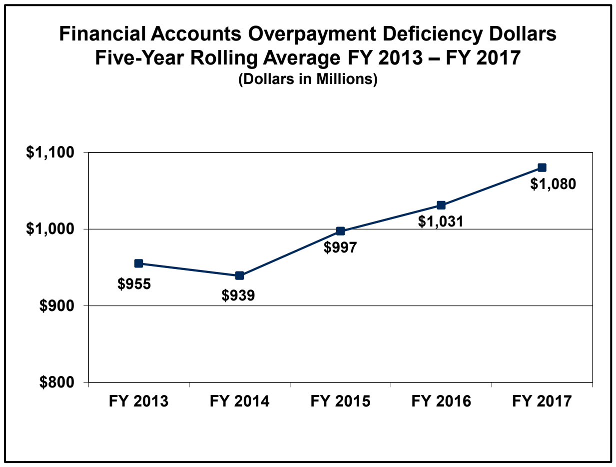


Table 2.6: Financial Accounts Overpayment Deficiency Dollars FY 2013 – FY 2017 (Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayments	$955	$939	$997	$1,031	$1,080

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 Access to Financial Institutions (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 called geographic searches. We conduct up to 10 geographic searches per individual for each review. We use AFI to verify financial accounts during the SSI application process, as well as when we conduct periodic redeterminations of continued eligibility, thereby detecting excess resources and deterring reoccurrence.

In an effort to streamline and continue the use of the AFI process, in a future release of our debt management system modernization we plan to implement three AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.

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

Table 2.7: Financial Accounts – Corrective Actions

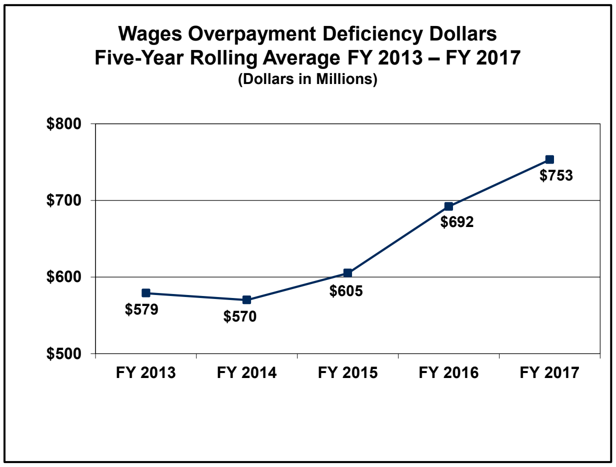
Description	Target Completion	Status
Evaluate the effect of increased undisclosed bank account searches and a lowered tolerance that we implemented in October 2013.	Completed FY 2016	We completed evaluations in the first quarter of FY 2016. Based on these findings, we are recommending that it would not 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 FY 2016	Our study found that it would not be the most efficient use of program integrity resources to use AFI between SSI redeterminations.
Implement two AFI systems enhancements that will improve our current process for initiating AFI.	Completed FY 2016	In October 2015, we added functionality to allow an address, other than the current residence address, for geographic searches in AFI to search the prior address when a person moves. In January 2016, we added functionality to search for financial institutions by the routing transit number when initiating AFI requests.
Implement three AFI systems enhancements that will improve our current process for initiating AFI and reducing improper payments.	FY 2020 through FY 2021	Planning and analysis is to begin in FY 2019. We will implement the following key AFI systems enhancements: • Create an automatic trigger of AFI requests; scheduled for development in FY 2020. • Enhance ability to view attachments from financial institutions; scheduled for development and release in FY 2021. • Automate splitting of co-owned bank account balances; scheduled for development and release in FY 2021.

WAGES

Description:

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

Historical Figures:



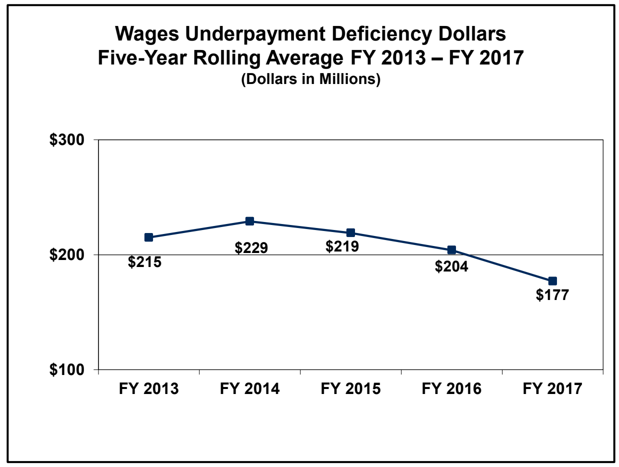


Table 2.8: Wages Deficiency Dollars FY 2013 – FY 2017 (Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayments	$579	$570	$605	$692	$753
Underpayments	$215	$229	$219	$204	$177

Corrective Actions:

We rely on individuals to self-report wages to us on time. However, we know that they may fail to report or not report wages in time to prevent an improper payment. Section 824 of the *Bipartisan Budget Act of 2015* gives the agency authority to conduct information exchanges with payroll providers to obtain accurate, up-to-date, and relevant wage information to help determine SSI eligibility and to help prevent improper payments. Please see Table 2.9 for more information about the implementation of Section 824 of the *Bipartisan Budget Act of 2015*.

We developed several communication initiatives to help encourage recipients 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 a business card that contains information on reporting requirements that field offices give recipients during claims and redeterminations. Recipients can keep this card for future use when reporting wages to us.

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

- Supplemental Security Income Telephone Wage Reporting (SSITWR)

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

- Supplemental Security Income Mobile Wage Reporting Application

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

- Automated Reminder

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

- myWageReport

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

We continue to increase the number of successful wage reports received using our automated SSI wage reporting systems. We processed 350,000 Telephone Wage reports, which is a decrease of 12 percent compared to the number in FY 2017. Additionally, in FY 2018, we processed over 856,000 successful SSI Mobile Wage reports, which is an increase of 24 percent over the number in FY 2017.

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

Table 2.9: Wages – Corrective Actions

Description	Target Completion	Status
Request that SSI applicants and recipients provide their consent for us to obtain information from other sources.	Completed FY 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 FY 2015	We gathered data through the POC. The findings revealed that there is value in monthly matching with a payroll provider as wage information is available for the majority of the sample.
Section 826 of the *Bipartisan Budget Act of 2015* requires the Commissioner to establish and implement a system permitting DI beneficiaries to report their earnings electronically.	Completed FY 2017	In September 2017, we implemented a new online wage report application where Social Security DI beneficiaries and their representative payees can report wages online through their *my* Social Security account.
Provide an additional option for reporting earnings using authority from Section 826 of the *Bipartisan Budget Act of 2015.*	Completed FY 2018	In June 2018, we gave SSI recipients, representative payees, and deemors the option of reporting their wages electronically to encourage timely reporting. Receiving timely wage reports will help reduce wage-related improper payments.

Description	Target Completion	Status
Section 824 of the *Bipartisan Budget Act of 2015* authorizes the Commissioner to establish information exchanges with payroll data providers to obtain wage data to administer the DI and SSI programs and to prevent improper payments. DI and SSI applicants and beneficiaries who give us their authorization to obtain wage information through such an exchange will be exempt from certain statutory penalties for any omission or error in the wages provided by the payroll data provider.	TBD	To implement the *Bipartisan Budget Act of 2015* authority, we obtained executive approval on the business process document and began systems planning and analysis in November 2016. We convened a cross-agency project team to collaborate on implementing Section 824 of the *Bipartisan Budget Act of 2015* and other wage-related provisions. In September 2017, we implemented the first phase of Section 824 of the *Bipartisan Budget Act of 2015*, which allows the agency to collect and store authorization from DI and SSI applicants and beneficiaries to obtain their payroll data via the information exchange. Additionally, we have made enhancements to the application we use to process wage determinations for DI to support the information exchange. For example, we added help pages and created notifications of earnings discrepancies. In September 2018, we implemented additional enhancements, such as creating alerts to notify employees that wage data indicates the need for a review. For the information exchange under Section 824 of the *Bipartisan Budget Act of 2015*, we are moving forward to develop the agency's requirements and conducting market research needed to announce a contracting opportunity for payroll data providers. Implementation of the information exchange is contingent on awarding a contract.

In-kind Support and Maintenance

Description:

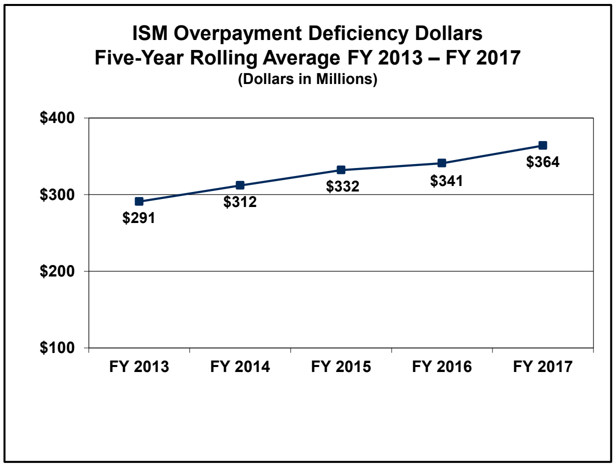
We must develop for ISM under the law. The basis for charging ISM is found in [Section 1612(a)(2)(A) of the *Social Security Act* (www.socialsecurity.gov/OP_Home/ssact/title16b/1612.htm)](www.socialsecurity.gov/OP_Home/ssact/title16b/1612.htm). ISM refers to the SSI policy for reducing benefit amounts for recipients who receive support in the form of food, shelter, or both from family, friends, or other third party sources. The law requires us to reduce an individual's benefit amount by one-third when he or she is living in another person's household and receiving support and maintenance, which for our purposes is food and shelter. Determining whether an individual receives ISM requires that claimants and recipients report changes in their living arrangement in a timely manner and answer detailed questions about whom they live with, what their household expenses are, how they divide those expenses among household members, and what help they receive from outside of the household.

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

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

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

Historical Figures:



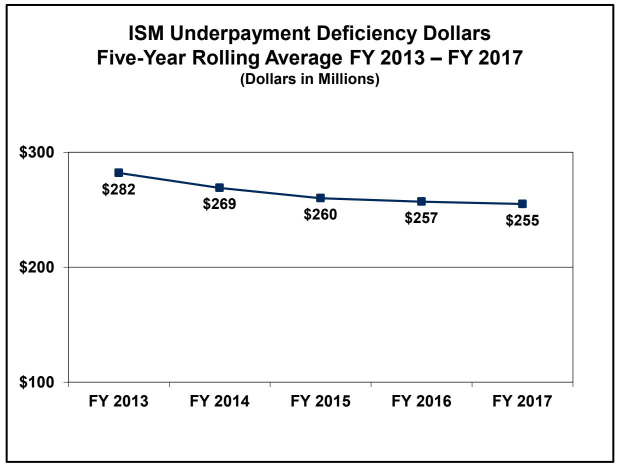


Table 2.10: ISM Deficiency Dollars
FY 2013 – FY 2017
(Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayments	$291	$312	$332	$341	$364
Underpayments	$282	$269	$260	$257	$255

Corrective Actions:

Table 2.11 shows our actions to reduce errors stemming from ISM. Payment errors stemming from ISM correspond to the "Inability to Authenticate Eligibility: Data Need Does Not Exist," "Failure to Verify: Other Eligibility Data," and the "Administrative or Process Error Made By: Federal Agency" categories in Table 2.

Table 2.11: ISM – Corrective Actions

Description	Target Completion	Status
Statutory, Regulatory, Policy and Procedure Review		
We frequently review our ISM-related operating instructions and related statutes and regulations to try to simplify our processes.	Ongoing	Based on our reviews, we issue periodic reminders and policy clarifications, as needed. We will continue to work with Congress and other stakeholders to identify possible statutory/regulatory/policy changes.
Legislative Proposal		
Currently, SSI recipients can receive lower benefits if they are earning, or otherwise receiving, income. This includes non-cash income, such as assistance by a roommate or family member in paying the recipient's share of the household expenses such as food and shelter. This type of income is called ISM and is difficult to accurately value, because it can fluctuate each month as household expenses and composition and the type of assistance provided may change. The FY 2019 President's Budget includes a proposal that would replace ISM with a flat-rate benefit reduction for adults living with other adults. This proposal would make two additional changes to simplify the program and reduce the burden on recipients and representative payees. It would eliminate the holding out policy, which requires our agency to ask invasive questions to determine whether two unrelated adults who live together, and are not married, are holding themselves out to their community as being married. It would also eliminate the dedicated account policy, which requires representative payees to open separate accounts to receive SSI underpayments and limits how funds in the accounts can be used. These requirements confuse representative payees, who are often parents, and restrict their ability to decide which expenditures are in the best interests of their disabled children.	Pending	No congressional action to date.

Other Real Property

Description:

SSI ineligibility may result if a recipient owns real property (generally land and the building, such as a house, on the land) other than his or her principal place of residence (referred to as "non-home real property"), and the current equity value exceeds the resource limit. Undisclosed non-home real property is a leading cause of improper overpayments in the SSI program. For the five-year period from FY 2013-2017, our FY 2017 stewardship reviews identified non-home real property as the fourth leading cause of SSI overpayments, with average projected improper payments of $234 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, require our technicians to identify undisclosed property owned by the claimant, recipient, or deemor via an electronic process.

Historical Figures:

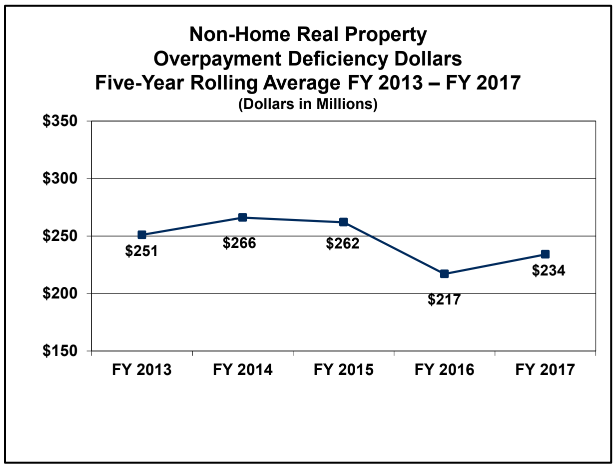


Table 2.12: Non-Home Real Property Overpayment Deficiency Dollars FY 2013 – FY 2017 (Dollars in Millions)

	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Overpayments	$251	$266	$262	$217	$234

Corrective Actions:

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

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

Table 2.13: Other Real Property – Corrective Actions

Description	Target Completion	Status
Fully integrate third-party, non-home real property data with SSI systems for mandatory use during initial claims, initial claim appeal reversals, denied claim reopenings, and high-error redetermination interviews and optional use during other open claim events.	Completed FY 2017 Completed FY 2018	In September 2017, we fully implemented the process nationwide for initial claims and high-error redeterminations interviews. In August 2018, we fully implemented the process nationwide for initial claim appeal reversals and denied claim reopenings.
Apply an automated process for receiving commercial records on real property ownership and integrate with SSI systems.	Completed FY 2018 FY 2019	We are currently using commercial records on real property ownership to determine if an individual owns non-home real property that may count as an excess resource. Receiving timely real property ownership data will help reduce non-home real property-related overpayments. Evaluate outcomes for integrating third party, non-home real property data with SSI systems. Define a plan and baseline for measuring effectiveness.

Other Major Causes and Corrective Actions in the OASDI and SSI Programs

The following key initiatives enhance our program integrity efforts.

Windfall Elimination Provision and Government Pension Offset

Description:

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

In total, WEP and GPO errors lead to a large dollar value of improper payments. There are several reasons for this; the root causes for the problems are the lack of:

- Accurate data to administer the WEP and GPO provisions;
- Automation to minimize human error and ensure timely action in response to existing alerts;
- Understanding among agency technicians of how non-covered pensions work (e.g., whether the payments are recurring or issued in a lump sum or whether there may be a cost-of-living adjustment, which is key to correctly administering the WEP and GPO provisions); and
- Understanding among agency technicians of how to administer the WEP and GPO provisions, in terms of computations and any exceptions.

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

- Pursue new data;
- Enhance automation;

- Clarify policy instructions; and
- Enhance training specific to the more common WEP/GPO errors.

We formed a cross-agency work group to:

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

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

Description	Target Completion	Status
Policy Clarification	Completed FY 2017	We updated and modified policy and process documentation to focus on those areas of WEP/GPO administration that have been most error prone, such as beneficiaries who are dually-entitled. We made the last policy clarification in May 2017.
Targeted Training	Completed FY 2017	We developed and conducted a series of videos on demand on WEP and GPO that specifically target the error prone areas. We aired the last video series broadcast to a nationwide audience in April 2017.
Enhanced Automation	Completed FY 2018	We are pursuing a series of systems changes that will automate calculations for non-covered pensions. Our goal is to reduce human error, prompt additional questions of likely non-covered pension recipients to encourage accurate self-reporting, and automate notices to claimants to obtain updated pension information more timely. We proposed 7 automation enhancements and successfully implemented 3 in FY 2017, and the remaining 4 in FY 2018. We implemented new WEP and GPO alerts that identify dual-entitlement cases. These alerts occur when the beneficiary may be subject to both the WEP and GPO provisions, but either WEP information is missing from the primary numberholder record or GPO information is missing on the secondary (spousal) record. In FY 2017, we completed a one-time run and released the alerts to our processing centers. In FY 2018, we converted the one-time run into a cyclical process. Beginning in FY 2019, there will be annual alerts generated to the processing centers.
Pursuit of New Data	FY 2019	We have been in ongoing discussions with the IRS to obtain non-covered pension information.

Data Exchanges

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

Description:

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

Currently, we conduct 23 CMAs with various Federal partners to obtain benefit payment data, wage data, unemployment data, fugitive felon identification, savings securities, workers' compensation, residency information, and nursing facility admission data that we use to determine eligibility and offset benefits for our programs.

The total annual savings attributed to these CMAs is approximately $7.2 billion, with an annual cost of approximately $216 million yielding a positive benefit-to-cost ratio of 33 to 1.

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

Table 2.15: Data Exchanges – Corrective Actions

Description	Target Completion	Status
Establish a data exchange agreement with the Department of Homeland Security (DHS) to obtain information necessary to identify when SSI recipients and OASDI beneficiaries are out of the country. SSI recipients are ineligible for payments if they are out of the country 30 or more consecutive days or for an entire calendar month. Generally, U.S. citizens can receive OASDI benefits regardless of place of residence. Non-citizens may be subject to additional residency requirements.	FY 2019	We conducted a pilot study that focused on the use of the travel data for the SSI program. We compared travel data in the DHS Arrival and Departure Information System (ADIS) to travel data on SSI records for a random sample of SSI non-citizens who traveled outside of the United States for 30 consecutive days or more. Results of the pilot study showed positive program savings from utilizing the ADIS data. When fully implemented, we estimate around $45 million in potential detectable or preventable SSI overpayments if we had access to citizen and non-citizen travel data. We expect to complete the CMA in FY 2019 and implement this initiative in a phased approach, starting with DHS' web service, then moving to a fully automated exchange.

Prisoner Information

We completed two of our three initiatives to diminish improper payments in the prisoner suspension area. First, because of our efforts in FY 2017 to reemphasize the prisoner program suspension and reinstatement requirements to our technicians, we suspended monthly benefits to nearly 42,000 OASDI beneficiaries and slightly more than 73,000 SSI recipients. Second, our monitoring process tracks and controls the return of incorrectly paid incentive payments from overpaid correctional institutions. When incorrectly paid incentive payments are identified, we recoup the payment and credit it back to our combined OASDI Trust Funds and General fund. We could not implement our third initiative to capture inmate population files from the largest State correctional institutions. Our reporting agreements with our State correctional institutions required revisions to capture this specific inmate information. We have recently revised our model reporting agreements, and we will begin renegotiating agreements with current reporters in FY 2019 to request State and local correctional inmate population reports. Obtaining this inmate data will help us determine if we are receiving complete prisoner information from each of these State correctional reporters.

Marital Status Information

Currently, we rely on OASDI beneficiaries and SSI recipients to self-report marriages and divorces because these events can be material to their entitlement to benefits. When beneficiaries fail to report a marriage or divorce timely, improper payments can occur. An exchange with the National Association for Public Health Statistics and Information Systems to obtain electronic marriage and divorce data from the States is among our long-term data exchange strategies to help us reduce improper payments in the OASDI and SSI programs due to unreported or untimely reported marriage and divorce events.

Marital status information errors correspond to the "Inability to Authenticate Eligibility: Inability to Access Data" categories in Table 2.

Major Causes and Corrective Actions for Improper Administrative Payments

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

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

Corrective actions include:

- The majority of the incorrect amounts paid in FY 2017 (for vendor and travel payments) were due to two errors. The first error occurred with an *Equal Access to Justice Act* payment request that was submitted for the wrong amount. The second error occurred during the processing of a payment where a dollar sign on the invoice amount was mistaken as a number. We recovered both overpayments within one month of the incorrect payments. To prevent similar occurrences, we reviewed our internal procedures, notified the appropriate personnel involved in the improper payment, and determined that existing internal controls are adequate.
- Health benefit debts are a major cause of payroll and benefits improper payments. These debts automatically occur when an employee, who has health benefits coverage, is in a non-pay status for the entire pay period or if there are insufficient funds to make the current pay period deduction. The employee now becomes indebted to the agency because we paid both the employee and agency's share.
- Retroactive timesheet corrections are another major cause of payroll and benefits improper payments. Timesheets sometimes need to be adjusted retroactively due to normal business processes, such as early closeouts (e.g., an employee is paid based on estimated hours of work, but the employee then requests to change leave without pay to paid leave or advanced leave to leave without pay), late approval of overtime or compensatory time requests, and other appropriate reasons for retroactive changes.
- Retroactive personnel actions are another major cause of payroll and benefits improper payments. Personnel actions are sometimes delayed, and actions must be backdated to the appropriate point in time. Retroactive timesheet corrections and personnel actions also sometimes occur due to coding errors. In those cases, additional training is provided for appropriate personnel, and internal controls are reviewed to ensure they are adequate.

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

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

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

Please note that for government-wide reporting purposes, we treat our FY 2017 findings as FY 2018 data. We will not have FY 2018 data until January 2019. We will report our findings from the FY 2018 reviews in next year's *Payment Integrity* report.

Reduction Targets

Table 3 below presents our accuracy targets for FYs 2018 and 2019 for the OASDI program. In the OASDI program, our goal is to maintain a 99.8 percent payment accuracy rate.

Table 3: OASDI Improper Payments Reduction Outlook FY 2018 – FY 2019 (Dollars in Millions)

	FY 2018 Target		FY 2019 Target	
OASDI	**Dollars**	**Rate**	**Dollars**	**Rate**
Total Benefit Payments	$976,472.32		$1,036,287.72	
Underpayments	$1,952.94	≤0.20%	$2,072.58	≤0.20%
Overpayments	$1,952.94	≤0.20%	$2,072.58	≤0.20%

Notes:

1. Total OASDI benefit payments for FYs 2018-2019 are estimates consistent with projections for the Mid-Session Review of the FY 2019 President's Budget.
2. FY 2018 data will not be available until summer 2019; therefore, the rates shown for FY 2018 are targets.
3. We do not have separate OASI and DI targets; therefore, we present a combined OASI and DI target.

Table 3.1 presents our target accuracy goals for FYs 2018 and 2019 for the SSI program.

Table 3.1: SSI Improper Payments Reduction Outlook FY 2018 – FY 2019 (Dollars in Millions)

	FY 2018 Target		FY 2019 Target	
SSI	**Dollars**	**Rate**	**Dollars**	**Rate**
Total Federally Administered Payments	$57,403.53		$58,392.90	
Underpayments	$688.84	≤1.20%	$700.71	≤1.20%
Overpayments	$3,444.21	≤6.00%	$3,503.57	≤6.00%

Notes:

1. Total federally administered SSI payments for FYs 2018-2019 are estimates consistent with projections for the Mid-Session Review of the FY 2019 President's Budget, adjusted to be presented on a constant 12-month per year payment basis.
2. FY 2018 data will not be available until summer 2019; therefore, the rates shown for FY 2018 are targets.

RECAPTURE OF IMPROPER PAYMENTS REPORTING

INFORMATION ON PAYMENT RECAPTURE AUDIT PROGRAM

In this section, we discuss how we meet the payment recapture audit requirements of IPERA for our OASDI and SSI programs and administrative payments.

PAYMENT RECAPTURE AUDIT REPORTING

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

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

- The cost of collection does not justify the enforced collection of the full amount;
- The debtor is unable to repay the debt considering age and health, present and potential income, and availability of assets 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 2019 and FY 2020 based on our FY 2018 experience. Certain uncontrollable factors affect our payment recapture recovery targets. For example, the state of the economy affects the availability of employment. We generally experience greater collections from our external debt collection tools when employment is abundant and former OASDI beneficiaries and SSI recipients are working.

Table 4 shows our results from our payment accuracy reviews for our OASDI and SSI programs and administrative payments.

Table 4: Overpayment Payment Recaptures with and without Recapture Audit Programs

(Dollars in Millions)

Overpayments Recaptured through Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amount Identified (FY 2018)	$13,846.98	$14,379.25	$4.42	$0.50	$28,231.15
Amount Recaptured (FY 2018)	$2,572.25	$1,358.73	$2.42	$0.48	$3,933.88
FY 2018 Recapture Rate	19%	9%	55%	96%	14%
FY 2019 Recapture Rate Target	21%	11%	100%	100%	14%
FY 2020 Recapture Rate Target	21%	11%	100%	100%	14%

Overpayments Recaptured outside of Payment Recapture Audits					
Program or Activity	Benefits		Other		Total
	OASDI	SSI	Payroll and Benefits	Vendor and Travel	
Amounts Identified (FY 2018)	$0.00	$0.00	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	$2.20
Amounts Recaptured (FY 2018)	$0.00	$0.00	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	We do not have separate totals for payroll and benefits or vendor and travel. See Total column.	$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 2018. 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 2018 recoveries from debt we had available for recovery in FY 2018, which include debts identified in prior years.
4. We do not consider every overpayment improper according to the definition contained in IPIA.
5. We based the recapture rate target for benefit payments on FY 2018 and prior years' experience and the anticipated growth of our benefit payments in FY 2019 and FY 2020.
6. This table comprises all identified and recovered administrative overpayments from our internal payment recapture audit program for administrative payments. We include these administrative payments under the table heading titled, "Other."
7. Totals for Amount Identified (FY 2018) and Amount Recaptured (FY 2018) for administrative payments are from our internal payment recapture audit in FY 2017. Overpayments identified or recaptured in FY 2017 include debt established in prior years.
8. For the overpayments recaptured outside of payment recapture audits, the totals are derived from multiple sources and mainly include identified and recovered administrative overpayments from sources other than our in-house recovery audit program for vendor and employee travel payments and our payment accuracy reviews for payroll and benefits payments, which we discuss in the Recapture of Improper Payments Reporting section of this *Payment Integrity* report. We do not have separated totals for payroll and benefits or vendor and travel.
9. The payroll and benefits amounts include overpayments from current and separated employees. The amounts for current employees include overpayments that we identified in FY 2017 but could have occurred in a prior year.
10. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive dollar amounts and percentages from unrounded source data.
11. We return all amounts recaptured to the original appropriation from which the payment was made.

Benefit Payments

Payment Recapture Audit Program

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

In our field offices, processing centers, and State DDS, employees conduct reviews for ongoing eligibility. Medical CDRs are periodic reevaluations to determine if beneficiaries still meet our definition of disability. In August 2018, we reached a milestone by eliminating our medical CDR backlog with the release of all available medical CDRs for FY 2018. A work CDR is a review of the eligibility requirements regarding a DI beneficiary's ability to perform SGA. SSI redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources. Our statistical predictive models help us prioritize the CDRs and redeterminations we work annually. We first complete those CDRs and redeterminations that will likely result in the greatest savings. Please see the section of this *Payment Integrity* report titled, Agency Information Systems and Other Infrastructure, Human Capital, for information on savings.

CDRs and SSI redeterminations are our most effective payment recapture program integrity activities because they both identify cases where we should discontinue benefit payments. To support CDRs and redeterminations, we specifically request dedicated funding through the normal budget process.

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 2017 Administrative Expenses
(Dollars in Millions)

Payroll and Benefits	$6,831
State DDS	$1,889
***American Recovery and Reinvestment Act* (ARRA)[1]**	$6
Other Administrative Expenses[2]	$3,582
Total Administrative Expenses	$12,308

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 2017, 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 2017, we found approximately $4.42 million in improper payroll overpayments out of $6,831 million payroll payments, which yielded a 0.06 percent improper overpayment rate. We return all amounts recovered to the original appropriation from which the overpayment was made.

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

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

In FY 2017, we reviewed $1.57 billion in vendor and travel payments out of $1.60 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 Federal Government in accordance with the terms of the contract.

We identified total vendor and travel improper overpayments of $0.504 million, approximately 0.03 percent of total payments subject to review. As of the end of FY 2017, almost $41,000 remained uncollected, which included amounts identified for recovery in prior years. The remaining receivables balance reflected the timing of when we issued the request for overpayment refund. Our recovery goal for all vendor and travel overpayments is 100 percent. We return all amounts recovered to the original appropriation from which the overpayment was made.

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

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

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

For ARRA payments, we rely on our OIG's audits of the ARRA funds as part of our payment recapture audit program for administrative payments. ARRA payments made up only 0.05 percent of our total administrative expenses in FY 2017.

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

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

Administrative Payments Recovery Targets

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

DISPOSITION OF PAYMENT RECAPTURE FUNDS

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

Amount Recaptured		Disposition of Recaptured Funds						
Program or Activity	Amount Recaptured	Agency Expenses to Administer the Program	Payment Recapture Auditor Fees	Financial Management Improvement Activities	Original Purpose	Office of the Inspector General	Returned to Treasury	Other[1]
Benefit	$3,930.98	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$3,930.98
Administrative	$2.90	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	Not Applicable	$2.90

Note:

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

AGING OF OUTSTANDING OVERPAYMENTS

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

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

Program or Activity		FY 2018 Amount Outstanding (0 to 6 Months)	FY 2018 Amount Outstanding (6 Months to 1 Year)	FY 2018 Amount Outstanding (Over 1 Year)	FY 2018 Amount Determined to not be Collectable
OASDI	**Overpayment Dollars**	$953.06	$553.31	$2,459.68	$489.38
	Percent of Total Outstanding	24%	14%	62%	12%
SSI	**Overpayment Dollars**	$939.49	$616.43	$4,680.01	$280.08
	Percent of Total Outstanding	15%	10%	75%	4%
Payroll and Benefits	**Overpayment Dollars**	$1.89	$0.54	$1.59	$0.55
	Percent of Total Outstanding	47%	13%	40%	14%
Vendor and Travel	**Overpayment Dollars**	$0.01	$0.01	$0.02	$0.00
	Percent of Total Outstanding	25%	25%	50%	0%
TOTAL	**Overpayment Dollars**	$1,894.45	$1,170.29	$7,141.30	$770.01
	Percent of Total Outstanding	19%	11%	70%	8%

Notes:

1. The aging of outstanding overpayments begins when the overpayment is delinquent, which is generally when no voluntary payment has been made 30 days after the latest of the following dates:
   - The debt was established on our system for OASDI;
   - The initial overpayment notice for a debt established on the SSI system;
   - The last voluntary payment;
   - An installment arrangement;
   - A decision on an individual's request to reconsider the existence of the overpayment; or
   - A waiver denial.
2. Totals for payroll and benefits payments and vendor and travel payments are from our internal payment recapture audit in FY 2017.
3. Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2018 for OASDI overpayments and SSI overpayments. For payroll and benefits overpayments and vendor and travel overpayments, Total Outstanding are overpayments that have not been recaptured, waived, or written-off through the end of FY 2017.
4. There may be slight variances in the dollar amounts and percentages reported due to rounding of source data. We derive dollar amounts and percentages from unrounded source data.
5. FY 2018 Amount Determined to not be Collectable is not included in the amount outstanding or total outstanding.

ADDITIONAL COMMENTS

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

In addition to our efforts to prevent and detect improper payments, we also have a comprehensive debt collection program. We collected $3.931 billion in OASDI and SSI benefit overpayments in FY 2018 at an administrative cost of $0.07 for every dollar collected. We collected $17.8 billion over a 5-year period (FYs 2014-2018). Since 2004, our cumulative recoveries are $45.5 billion for OASDI and SSI benefit overpayments. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and follow-up), as well as some external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts. From 1992–2018, our external collection techniques have yielded $2.9 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 2018 *Agency Financial Report*.

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

We developed a system to 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.

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

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

The Debt Management Product will also expand the Non-Entitled Debtors (NED) program to collect debts from debtors who have never been entitled to OASDI benefits or SSI payments. Currently, NED captures payments made to representative payees after the death of an OASDI beneficiary and overpayments to representative payees prior to the death of the OASDI beneficiary for which the payee is responsible.

During the development of the new Debt Management Product, we 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, such as:

- The impact on our current collection policies and procedures;
- Post-entitlement notices, as well as the need for new notices; and
- Feasibility of resources to address development, implementation, and oversight from an information technology and operations impact perspective.

COLLECTING DEBT

Our improper payments strategy includes focusing on enhancements to improve our OASDI and SSI debt recovery efforts. These changes also support debt management compliance and performance as required by OMB. Below are enhancements to improve our OASDI and SSI debt recovery efforts.

- Debt Management Product
  - Currently, multiple systems exist that record, track, notify, and manage our OASDI and SSI overpayments. Through modernization, we will create a single debt management universal view for our technicians to process overpayment transactions more effectively and efficiently. We will also automate overpayment waiver determinations, where appropriate, to enhance controls surrounding waiver determinations.
  - We will also pursue using online services for collecting OASDI and SSI overpayment remittances. In December 2017, we completed our initial initiative via the Social Security Electronic Remittance System to process remittances received in our field offices for program debt. In FY 2019, we plan to provide individuals the ability to electronically repay their OASDI or SSI overpayment using the Department of the Treasury's Pay.gov portal via SocialSecurity.gov.
- Treasury Report on Receivables enhancements for OASDI and SSI
  - We implemented systems enhancements to meet the reporting requirements of the *Digital Accountability and Transparency Act of 2014*.
  - We continued to analyze data to ensure we are accurately reporting our receivables.
  - Implementation of the new Debt Management Product will address our reporting limitations such as the number of OASDI debts that the system bundles and counts as a single debt when an individual has multiple debts.
- Policy Update
  - We are implementing a policy change in early FY 2019 that will enable delinquent debts we refer to TOP to remain in referred status until the individual repays the debt in full, requests a waiver, dies, or resumes receiving monthly benefits.

RECOVERY OF OVERPAYMENTS DUE TO DEATH

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

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

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

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

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

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

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

- The Numident Death Match – This match identifies discrepancies between the Numident, which is our master file of assigned Social Security numbers, and our payment records, which results in monthly alerts that feed into the Death Alerts Tracking System (DATS). We use DATS to resolve these alerts and stop paying benefits, if appropriate.
- The Death Information Processing System (DIPS) – DIPS is an agency-wide, web-based system used to add, change, or remove death information on the Numident database for deceased individuals. DIPS replaced the Death Alert Control and Update System and the Customer Information Control System.
- The Electronic Death Registration (EDR) process – This State-sponsored initiative automates the paperbound death registration process and allows States to verify the name and Social Security number of a deceased person against our Numident before registering the death. This process results in the transmission of more accurate and timely death information electronically to us, allowing us to stop benefits for the deceased beneficiary. The EDR process supports the agency's Strategic Goal, "Ensure Stewardship." This includes minimizing improper payments by identifying and preventing erroneous payments after death, 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 States can incur significant costs when transitioning to EDR. However, we continue to work diligently with the four remaining States and one additional jurisdiction and will bring them on board as soon as possible.

BARRIERS

Our processes and policies and our statutory and regulatory requirements are complicated, which poses challenges in our administration of our programs. To meet the challenges of our growing workloads and provide the best service possible, we continue to streamline our policies and procedures and automate more of our business processes. We work with Congress and our stakeholders to identify ways to simplify our statutory and regulatory requirements. The FY 2019 President's Budget includes several legislative proposals that can help simplify our programs and better identify, prevent, and recover improper payments. We discuss some of these proposals in the following paragraphs. More information on our legislative proposals can be found in our *FY 2019 Budget Overview* (www.socialsecurity.gov/budget/).

OFFSET UNEMPLOYMENT INSURANCE-DISABILITY INSURANCE OVERLAPPING PAYMENTS

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

ALLOW SSA TO USE COMMERCIAL DATABASES TO VERIFY REAL PROPERTY

This proposal would reduce improper payments and lessen recipients' reporting burden by authorizing our agency to conduct data matches with private commercial databases that maintain data on ownership of real property (e.g., land and buildings), which can be a countable resource for SSI purposes. The proposal would authorize our agency to use that information to determine an individual's eligibility for benefits automatically, after proper notification. We would also be authorized to require recipients to consent to allow our agency to access these databases as a condition of benefit receipt. All current due process and appeal rights would be preserved.

GOVERNMENT-WIDE USE OF CUSTOMS AND BORDER PROTECTION ENTRY/EXIT DATA

This proposal would provide Federal agencies access to and use of Customs and Border Protection entry and exit data (i.e., when individuals enter and exit the United States). Generally, U.S. citizens can receive OASDI benefits regardless of place of residence. Non-citizens may be subject to additional residency requirements. However, an SSI beneficiary who is outside the United States for a full calendar month is not eligible for benefits that month. We would use this data match to prevent improper payments. These data have the potential to be useful across the Government to prevent improper payments.

AUTHORIZE SSA TO USE ALL COLLECTION TOOLS TO RECOVER FUNDS

Current law provides the agency only limited authority to recover certain incorrect payments that do not meet the statutory definition of an overpayment. Such incorrect payments occur, for example, when someone improperly cashes a beneficiary's check or improperly removes benefit funds from a joint account after a beneficiary's death. Because these incorrect payments are not considered overpayments, our recovery options are limited. This proposal would define these and other types of incorrect payments as overpayments, and would allow us to use all our overpayment collection tools, including benefit withholding, administrative offset, credit bureau reporting, and AWG, to recover the debts. The proposal would also allow us to recover court-ordered fraud judgments using our overpayment collection procedures, including full benefit withholding. These proposed changes would expand our agency's authority to recover improper payments, end disparate treatment of similar types of improper payments, and allow us to better fulfill our stewardship obligations to the trust funds.

INCREASE THE OVERPAYMENT COLLECTION THRESHOLD FOR OASDI

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

IMPROVE SSI YOUTH TRANSITION TO WORK

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

The FY 2019 President's Budget proposes three areas of reform to improve the life outcomes and connect SSI youth to work.

First, the Budget would better identify medical improvement at the earliest point to increase oversight and signal the importance of SSI youth investing in their education and development. The Budget proposes to (a) institute age 6 and 12 initial disability reviews and (b) increase the frequency and effectiveness of CDRs by expanding the CDR diary system for all disability beneficiaries from three to four categories, allowing the agency to conduct CDRs more frequently for those medical impairments that are expected or likely to improve.

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

Finally, the Budget would improve access to vocational rehabilitation services for SSI transition age youth by allowing the agency to make referrals to these services.

SSI Simplification Reforms

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

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

Accountability

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

Agency Information Systems and Other Infrastructure

Internal Controls

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

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

- Integrating management controls into our business processes and financial management systems at all organizational levels;
- Reviewing our management controls and financial management systems controls on a regular basis; and
- Developing corrective action plans for control weaknesses and monitoring those plans until we resolve the issues.

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

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

For additional information about our internal control environment, please refer to the *Systems, Controls and Legal Compliance* section of this FY 2018 *Agency Financial Report*.

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

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

We include the Commissioner's annual assurance statement, additional information of our review program, and the financial statement audit, in the *Systems, Controls and Legal Compliance* section of this FY 2018 *Agency Financial Report*. For additional information on the financial statement audit, please see the *Report of Independent Certified Public Accountants* section of this FY 2018 *Agency Financial Report*.

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

HUMAN CAPITAL

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

Our stewardship responsibility includes conducting non-medical SSI redeterminations and full medical CDRs. These reviews save significant program dollars by avoiding improper payments. In FY 2017 and FY 2018, 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 2017, we completed approximately 870,000 full medical CDRs and approximately 2.59 million SSI redeterminations. In addition, we completed approximately 313,500 work CDRs in FY 2017. In FY 2018, we completed approximately 896,500 full medical CDRs and approximately 2.91 million SSI redeterminations. In addition, we completed approximately 314,400 work CDRs in FY 2018.

In August 2018, we reached a milestone by eliminating our backlog of full medical CDRs with the release of all available full medical CDRs for FY 2018. The FY 2019 President's Budget will prevent a new backlog from developing, helping to ensure that only those eligible for OASDI and SSI disability benefits continue to receive them. Assessments of the return on investment from CDRs completed in FY 2014 and earlier, establish that we achieve significant program savings with this workload. The Budget proposes $1,683 million, which includes the

2019 cap adjustment amount of $1,410 million, as authorized in the *Bipartisan Budget Act of 2015*. The *Bipartisan Budget Act of 2015* authorized a net increase in new cap adjustment levels through 2021.

INFORMATION SYSTEMS

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

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

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

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

OTHER INFRASTRUCTURE

As required by law, we conduct pre-effectuation reviews on at least 50 percent of adult initial and reconsideration disability determination allowances made by the State DDS offices. We use a predictive statistical model to identify error-prone disability determinations, and we return deficient cases to the State DDS offices for corrective action. We estimate that the prevention of incorrect allowances and continuances of FY 2016 cases will result in lifetime savings (after all appeals) of:

- $509 million in OASDI benefit payments;
- $65 million in SSI Federal payments;
- $218 million in Medicare benefits; and
- -$4 million in the Federal share of Medicaid payments (i.e., an increase in the Federal share of Medicaid costs).

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 2017. For government-wide reporting purposes, we treat our FY 2017 findings as FY 2018 data. We will not have FY 2018 data until summer 2019. We will report our findings from the FY 2018 stewardship reviews in next year's *Payment Integrity* report.

When we compute accuracy rates for monthly payments, we use case error dollars. Case error dollars refer to an incorrect payment made to a case as a whole, with an overpayment or underpayment occurring when we pay more or less than we should have paid. Some cases have more than one error causing an incorrect payment, with each of these errors referred to as a deficiency. We analyze and track the individual effect of each separate cause of error. Because we project findings from samples, we use a five-year rolling average for each type of deficiency to identify and rank error trends.

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

RISK ASSESSMENT

RISK SUSCEPTIBLE PROGRAM

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

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

We evaluated our FY 2017 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 2016 independent accounting firm's financial risk assessment in support of our FMFIA compliance program. This assessment found that our administrative expenses, accounts payables, human resources, and payroll management-related risks are low overall.