



Report to the Chairman of the
Subcommittee on Social Security,
Committee on Ways and Means, House
of Representatives

April 2016

DISABILITY INSURANCE

SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Deter Potential Fraud

GAO Highlights

Highlights of [GAO-16-331](#), a report to the Chairman of the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

SSA's DI program provides cash benefits to millions of Americans who can no longer work due to a disability. While most benefits are paid correctly, beneficiary or SSA error can result in overpayments—that is, payments made in excess of what is owed. In fiscal year 2015, SSA detected \$1.2 billion in new overpayments, adding to growing cumulative debt. Further, when individuals inappropriately obtain benefits in certain situations, SSA can levy penalties or withhold benefits for a period of time. GAO was asked to study the use of these actions, and SSA efforts to recover overpayments.

This report examined how and to what extent SSA recovers overpayments, and imposes penalties and sanctions. GAO analyzed data on existing DI overpayments and repayment amounts at the end of fiscal year 2015 to determine the effect of potential improvements in recovery methods on collection amounts; and reviewed relevant federal laws, regulations, policies, and studies.

What GAO Recommends

GAO is making eight recommendations to SSA, including: clarify its policy and improve oversight related to debt repayment plans, pursue additional recovery options for overpayments and penalties, and improve its ability to track penalties and sanctions. SSA agreed with seven, but disagreed with a recommendation on debt recovery options. GAO maintains the options merit exploration, as discussed further in the report.

View [GAO-16-331](#). For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

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SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Deter Potential Fraud

What GAO Found

In fiscal year 2015, the Social Security Administration (SSA) recovered \$857 million in Disability Insurance (DI) overpayments that it erroneously made to beneficiaries; however, SSA is missing opportunities to recover more. More than three-fourths of the recovered overpayments in fiscal year 2015 were collected by withholding all or a portion of a beneficiary's monthly benefits. SSA's policy is to set withholding repayment amounts based on a beneficiary's income, expenses, and assets, but its policy regarding which expenses are reasonable is not clear. Moreover, SSA cannot know if repayment periods and amounts are consistently determined due to a lack of oversight, such as supervisory review or targeted quality reviews. Further, SSA lacks concrete plans for pursuing other debt recovery options, while GAO's analysis suggests that some options could potentially increase collections from individuals having their benefits withheld. For example, about half of withholding plans at the end of fiscal year 2015 extended beyond SSA's standard 36-month time frame, and could be shortened. Making the minimum monthly repayment 10 percent of a beneficiary's monthly benefit, instead of the current \$10 minimum, would shorten the median length of all scheduled withholding plans by almost a third (from 3.4 years to 2.3 years) and result in an additional \$276 million collected over the next 5 years.

While SSA officials reported an increase in recent years in the amount of civil monetary penalties imposed, SSA currently lacks reliable data to effectively track the disposition of penalties and administrative sanctions. For example, SSA cannot readily track the amounts ultimately collected from penalties, which are fines imposed by the Office of the Inspector General (OIG) and collected by SSA. Further, SSA currently has only two paths for collecting on penalties— withholding benefits and voluntary payment. A recent OIG audit found that the majority of uncollected penalty amounts it reviewed were from individuals who were not receiving SSA benefits and with whom SSA had no ongoing collection actions. SSA determined it is able to use certain alternative collection tools, such as wage garnishment, but only recently began drafting regulations to use them, and the regulations are still undergoing internal review. In addition, SSA lacks and had not explored obtaining authority to use other tools for collecting penalties that it uses for collecting overpayments—such as credit bureau reporting. Related to administrative sanctions, SSA could not provide reliable data on how often it imposes sanctions, a punishment in which benefit payments are temporarily stopped. SSA's process of manually entering sanctions information into a database may be subject to errors or omissions. Regional officials said this can result in incomplete information and staff not taking appropriate action on cases. SSA changed its procedure in 2013 to direct that all potential sanctions first be reviewed for potential prosecution or civil monetary penalties, but SSA's lack of reliable data prevents it from determining whether this new procedure achieved the intended effect of more consistent application of sanctions. In an internal evaluation of its procedures, SSA identified weaknesses with how sanctions decisions are tracked and communicated, but it is in the early stages of deciding how to address them. The shortcomings in SSA's use of penalties and sanctions potentially diminish the deterrent value of these actions against individuals who may fraudulently obtain benefits.

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Abbreviations

AFI	Access to Financial Institutions
COLA	Cost of Living Adjustment
DI	Disability Insurance
DOJ	Department of Justice
ECO	External Collection Operation system
IRS	Internal Revenue Service
NDNH	National Directory of New Hires
OCIG	Office of Counsel to the Inspector General
OIG	Office of the Inspector General
SSA	Social Security Administration
SSI	Supplemental Security Income
SSN	Social Security Number

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April 13, 2016

The Honorable Sam Johnson
Chairman
Subcommittee on Social Security
Committee on Ways and Means
House of Representatives

Dear Mr. Chairman:

The Social Security Administration's (SSA) Disability Insurance (DI) program serves as a critical safety net for individuals who can no longer work because of physical or mental impairments. In fiscal year 2015, about 10.8 million beneficiaries and their dependents received approximately \$144 billion in benefits. That same year, SSA reported detecting \$1.2 billion in new DI overpayments—payments made in excess of what individuals are owed. Past GAO work has highlighted the importance of preventing overpayments to DI beneficiaries given the financial burden it places on recipients and the difficulty this population may have in repaying these debts.¹ Nevertheless, recovering erroneous payments once they are made is also an important part of maintaining the integrity of the program. While SSA has a number of tools to recover overpaid benefits, previous GAO reviews found shortcomings in the agency's recovery efforts, and the total amount of DI overpayment debt that has accumulated increased by 70 percent over the past 10 years. SSA can also take actions against individuals who mislead the agency to fraudulently obtain benefits by imposing civil monetary penalties, or imposing administrative sanctions that involve halting benefit payments. Yet past work by SSA's Office of the Inspector General found that SSA did not effectively collect penalties² and rarely sanctioned individuals.³

¹GAO. *Disability Insurance: SSA Could Do More to Prevent Overpayments or Incorrect Waivers to Beneficiaries*, [GAO-16-34](#) (Washington D.C.: Oct. 29, 2015).

²Social Security Administration, Office of the Inspector General, *Follow-up: Collection of Civil Monetary Penalties*, A-06-14-14047 (Baltimore, MD.: Mar. 10, 2015).

³Social Security Administration, Office of the Inspector General, *The Social Security Administration's Use of Administrative Sanctions in the Old-Age, Survivors and Disability Insurance Program*, A-07-14-14047 (Baltimore, MD: Sept. 19, 2015).

In light of these issues, you asked us to study SSA's efforts to collect overpayments, and its use of penalties and sanctions. This report examines (1) how and to what extent SSA is recovering DI overpayments, and (2) SSA's procedures for imposing penalties and sanctions, and how often they are used.

To determine how and to what extent SSA recovers overpayments, we collected available data on the amounts of overpayments incurred, collected, and waived or otherwise written off for fiscal years 2006 through 2015. We also obtained data on existing DI overpayments and repayment plan amounts as of September 30, 2015. We used these data to determine the number and amount of overpayments owed to SSA, and to estimate the length of benefit withholding plans to repay these debts, which were in effect as of that date. We also used these data to calculate the effect on scheduled repayments if SSA were to implement additional debt collection methods. We assessed the reliability of these data by checking for implausible values and by comparing the data to figures publicly reported by SSA. We found these data to be sufficiently reliable for our purposes. To provide additional insight on how SSA documents and determines how much beneficiaries can repay on overpayment debts, we reviewed a non-representative sample of 16 overpayment cases. We selected cases to reflect a range of amounts based on the amount of the original overpayment and the percentage of beneficiaries' monthly benefits withheld to repay debts. We then selected a random sample of these subsets of cases for review.

To examine SSA's use of civil monetary penalties and administrative sanctions, we examined available data from SSA and SSA's Office of the Inspector General (OIG), and reviewed recent SSA evaluations of its sanctions procedures. After discussing SSA's procedures for collecting and tracking penalties and sanctions, we determined that available data on their disposition were not sufficiently reliable for our purposes. We also interviewed officials responsible for overseeing sanctions in three of SSA's regional offices. We selected these regions (Atlanta, Chicago, and San Francisco) based on variations in their sanctions workloads and error rates. We also spoke to staff in the New York regional office, which developed a database for tracking sanctions. We assessed SSA's efforts against Federal Internal Control Standards and GAO's Framework for Managing Fraud Risks in Federal Programs. To provide additional views and perspectives, we interviewed representatives from a network of disability advocates and an organization that represents SSA field office managers. We also reviewed relevant federal laws and regulations, and SSA program documentation, including policies, procedures, and

performance plans, as well as reports from SSA and SSA's OIG. Additional information on our scope and methodology is provided in appendix I.

We conducted this performance audit from November 2014 to April 2016 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Background

SSA's DI program provides cash benefits to individuals with disabilities, and paid \$144 billion to 10.8 million beneficiaries and their families in fiscal year 2015. Individuals are generally considered to have a disability if (1) they cannot perform work that they did before and cannot adjust to other work because of their medical condition(s); and (2) their disability has lasted or is expected to last at least 1 year, or is expected to result in death. Further, individuals must have worked and paid into the program for a minimum period of time to qualify for DI benefits.⁴

DI Overpayments

DI overpayments occur when beneficiaries are paid more than they should be for a given period of time.⁵ We previously found that more than half of all DI overpayments are paid to beneficiaries earning above program limits.⁶ Overpayments may also result if SSA does not cease

⁴Individuals must have earned sufficient quarters of coverage (also referred to as "work credits") in order to qualify for DI benefits, which they do by working and paying Social Security taxes. Individuals may earn up to four work credits per year, and the amount of earnings needed for a credit generally changes each year. In 2016, \$1,260 in earnings was needed for each credit. The number of work credits needed to qualify for DI benefits depends on the age of the claimant. Generally, individuals 31 and older need 40 work credits to qualify, 20 of which must have been earned in the 10 years prior to becoming disabled. Younger individuals may qualify with fewer credits.

⁵Unless specifically noted, we limited our review to the types of overpayments that SSA reports publicly, such as in the Treasury Report on Receivables (TROR).

⁶To be eligible for DI, an individual must generally be unable to engage in substantial gainful activity (SGA). The SGA monthly earnings limit in 2016 is \$1,130 (\$1,820 for blind individuals). We previously determined that more than half of the amount of overpayments during fiscal years 2005 through 2014 were as a result of individuals earning above these amounts. [GAO-16-34](#).

benefit payments when notified by a beneficiary of a change in work status, when inaccurate information and administrative errors lead to incorrectly calculated benefits, or as the result of individuals knowingly misleading the agency or committing fraud. As of September 30, 2015, approximately 637,000 individuals owed about \$6.3 billion to SSA in DI overpayment debt.⁷

SSA will seek repayment of most overpaid benefits after pursuing various procedural steps. Specifically, when SSA detects an overpayment, it requests a full immediate refund, unless the overpayment can be withheld from the beneficiary's next monthly benefit. SSA also notifies the overpaid person that they may request reconsideration, a waiver, or both. A beneficiary requests reconsideration when he or she disputes that an overpayment occurred or the amount of the overpayment, and requests a waiver when asserting that he or she is neither responsible for the overpayment nor capable of repaying it. SSA may grant a waiver request if it finds that the beneficiary was not at fault for the overpayment and that recovering the overpayment would defeat the purpose of the program or be against good conscience and equity.⁸ A waiver permanently terminates collection of a debt.

If SSA denies a reconsideration, a waiver, or both, the agency will request full repayment. SSA will attempt to withhold SSA benefits from the beneficiary to immediately recoup the full amount. If the individual is not receiving SSA benefits at the time or is unable to immediately pay the full amount owed, the agency generally requests a repayment plan. This may take the form of voluntary remittances or withholding from monthly SSA benefits. These withholdings may be taken from DI or other SSA benefits being received, such as Supplemental Security Income (SSI)⁹ benefits.¹⁰ Withholding from other SSA benefits is known as cross-program recovery. SSA policy is to obtain repayment within 36 months, but it may approve longer repayment periods after reviewing an individual's income, expenses, and assets. SSA regulations require a minimum monthly DI

⁷These figures are based on calculations we made from SSA data on DI overpayments.

⁸See 42 U.S.C. § 404(b), 20 C.F.R. § 404.506.

⁹SSI is a means-tested program designed to help aged, blind, and disabled people, who have little or no income.

¹⁰See, e.g., 31 U.S.C. § 3716(c) and 42 U.S.C. § 1320b-17.

withholding of \$10, an amount that has not changed since 1960 according to SSA.¹¹

SSA's policy is to stop its collection activities and temporarily write off a debt if it meets at least one of these criteria: the debtor cannot or will not repay the debt,¹² the debtor cannot be located after a diligent search, the cost of collection actions is likely to exceed the amount recovered,¹³ or the debt is at least two years delinquent. (SSA may refer to such debt write-offs as terminating or conditionally writing off debts.) Temporarily writing off debts conditionally removes them from SSA's accounts receivable balance, although SSA will refer debts to Treasury for collection through external tools. Prior to referring debts to Treasury, SSA notifies debtors and informs them of the appeal rights. SSA will re-establish these debts and its own collection efforts if it receives payment through these external collection tools or if the individual becomes re-entitled to Social Security benefits. External debt collection tools include

- tax refund offset, which withholds or reduces federal tax refunds to the individual;
- federal salary offset, which withholds or reduces wages and payments to federal employees;
- administrative offset, which withholds or reduces other federal payments (other than tax refunds or salary) to the individual;
- administrative wage garnishment, which garnishes wages and payments from private employers or state and local governments; and
- credit bureau referral, which reports delinquent debt to credit bureaus and may adversely affect an individual's credit scores.¹⁴

¹¹See 20 C.F.R. § 404.502(c).

¹²Factors that SSA takes into account when making this determination include the age and health of the debtor, their current and potential income, and inheritance prospects. As part of determining whether the debtor cannot or will not repay the debt, SSA's policy is to also determine whether a compromise settlement or civil suit is not likely to be successful.

¹³A 2015 SSA Office of Inspector General report concluded that SSA generally attempted to recover overpayments regardless of the amount involved, and recommended that SSA reevaluate its efforts to recover small overpayments. Social Security Administration, Office of the Inspector General, *Cost-benefit Analysis of Processing Low-dollar Overpayments*, A-07-14-14065 (Baltimore, MD: July 1, 2015).

¹⁴Although credit bureau reporting does not directly result in collections, the prospect of a negative credit report can motivate individuals to repay debts.

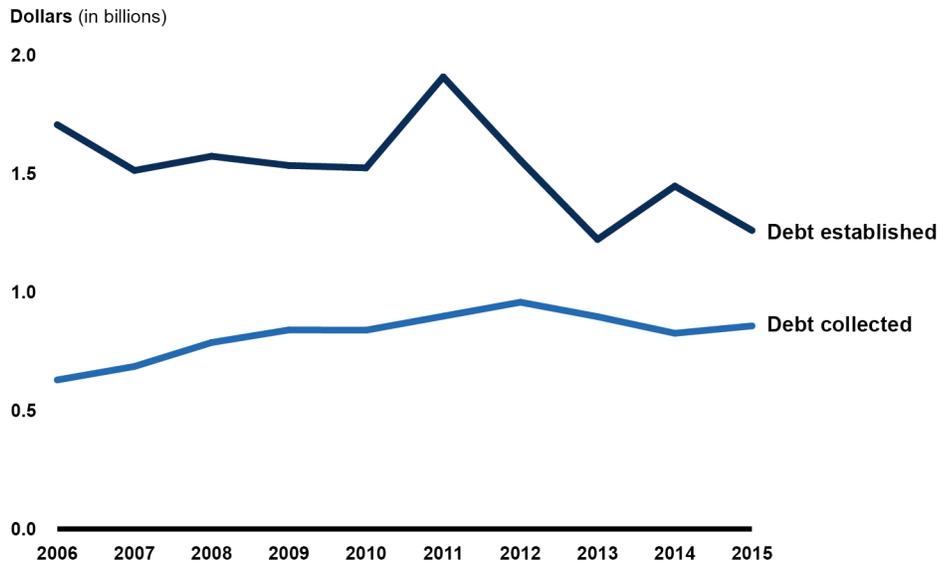
Conditionally written-off debts remain subject to collections through any available tools until the debt is paid in full or the case is otherwise resolved. As of the end of fiscal year 2015, SSA had \$1.5 billion dollars of overpayments that were conditionally written off. The average amount of written-off debt was about \$4,100 and more than 75 percent of these debts were written off over 5 years ago. About 30 percent of people in written-off status were under age 18 when a parent received benefits for them and most of these recipients were written off in their late teens or twenties.¹⁵

The amount of outstanding DI overpayments increased by 70 percent between fiscal years 2006 and 2015, with the amount of debt newly detected and reestablished exceeding the amount collected, waived, or conditionally written off in 9 of the last 10 years.¹⁶ Moreover, while collections of prior debt have seen some increases over the past 10 years, they have not kept pace with new debt established (see fig. 1).

¹⁵The data GAO reviewed indicated that about 43 percent of the beneficiaries in conditionally written off status were deceased according to SSA; however, these data were insufficient to rule out the possibility that there were living recipients (such as a spouse or dependent) receiving benefits on the deceased beneficiary's earning record in conditionally written off status.

¹⁶GAO previously found that cumulative DI overpayment debt reported by SSA is understated due to a limitation in its Recovery of Overpayments, Accounting and Reporting (ROAR) system. Used to track overpayments and collections, ROAR cannot capture and track debt scheduled to be collected beyond the year 2049. As a result, the portion of debt owed that is scheduled to be collected after that year is not reflected in current totals even as it annually increases. GAO recommended that SSA take steps to correct this shortcoming. SSA agreed with this recommendation and has acknowledged this reporting limitation in its Agency Financial Report.

Figure 1: Overpayment Debt Established and Collected from Social Security Disability Insurance Beneficiaries, Fiscal Years 2006-2015



Source: GAO analysis of Social Security Administration data. | GAO-16-331

Note: Debt established includes old debts that have been reestablished. This figure does not include debts that have been waived.

Civil Monetary Penalties and Administrative Sanctions

SSA can take several actions against individuals who knowingly mislead SSA or make false statements to obtain benefits, and these actions serve as deterrents against potential fraud and abuse. Allegations of suspected wrongdoing are referred to SSA's OIG by SSA staff or the public.¹⁷ OIG will assess each allegation received to determine whether they warrant investigation. According to SSA, those opened for investigation must be referred to the Department of Justice (DOJ) under the U.S. Attorney of jurisdiction any time OIG has grounds to believe there has been a criminal violation, as required by the Inspector General Act.

¹⁷SSA noted in its comments that civil monetary penalties and administrative sanctions are not findings of fraud. Instead, SSA explained that civil monetary penalties are based on, among other things, findings of individuals making false or misleading statements, or who knowingly omit or withhold the disclosure of material facts from SSA. Administrative sanctions involve individuals who knowingly provide false or misleading information to SSA, or omit information material to the payment of benefits.

Once DOJ reviews a case for potential civil or criminal action, OIG decides to impose civil monetary penalties (penalties) where warranted.¹⁸ Section 1129 of the Social Security Act provides for penalties against individuals who make certain false statements, representations, or omissions in the context of determinations of initial or continuing eligibility.¹⁹ Under that section, there are certain factors that must be considered when determining the amount of a penalty, which are: the nature of the individual's actions, the circumstances under which the actions occurred, the individual's history of prior offenses, the individual's degree of culpability in the current case, the financial condition of the individual, and any other factors that justice may require. OIG officials told us that they exercise discretion when deciding which cases to pursue for penalties and take into account the age of the individual and the availability of OIG resources, among other considerations. A penalty of up to \$5,000 may be imposed for each false statement or material omission, and an additional assessment up to double any payment that was made as a result, may be imposed.²⁰ OIG's Office of Counsel to the Inspector General (OCIG) imposes penalties, but subsequently refers penalties imposed to SSA's Office of Operations for collection. According to SSA, because penalties result from fraud and misconduct, SSA cannot terminate collection or write off the debt without the permission of DOJ. Additionally, individuals cannot discharge penalties through bankruptcy.

If OCIG declines to impose a penalty, it will consider whether administrative sanctions (sanctions) might be appropriate. If it determines that sanctions may be suitable, OCIG will return the case to SSA for further consideration.²¹ SSA is ultimately responsible for deciding whether

¹⁸According to OIG, it can also pursue a penalty in cases where DOJ does criminally prosecute a case.

¹⁹42 U.S.C. § 1320a-8. The Social Security Act also allows SSA to impose penalties against people that use certain SSA program words, acronyms, symbols, or emblems in advertisements, solicitations, or many other types of communications in a manner that conveys the false impression that such items are approved, authorized, or endorsed by SSA. 42 U.S.C. § 1320b-10. We excluded such penalties from the scope of this review.

²⁰According to OCIG officials, penalties can be imposed even in cases in which no overpayment occurred, such as an individual who commits fraud but was not approved for benefits.

²¹For example, the statute of limitations for imposing a civil monetary penalty under section 1129 is 6 years. According to OCIG officials, OCIG will submit any cases older than 6 years for potential administrative sanctions, which are not subject to a statute of limitations.

sanctions are imposed in each case. If it imposes sanctions, the sanctioned individual will not receive benefit payments that he or she would have been entitled to for the duration of the sanction period: 6 months for a first occurrence, 12 months for a second occurrence, and 24 months for any subsequent occurrences.

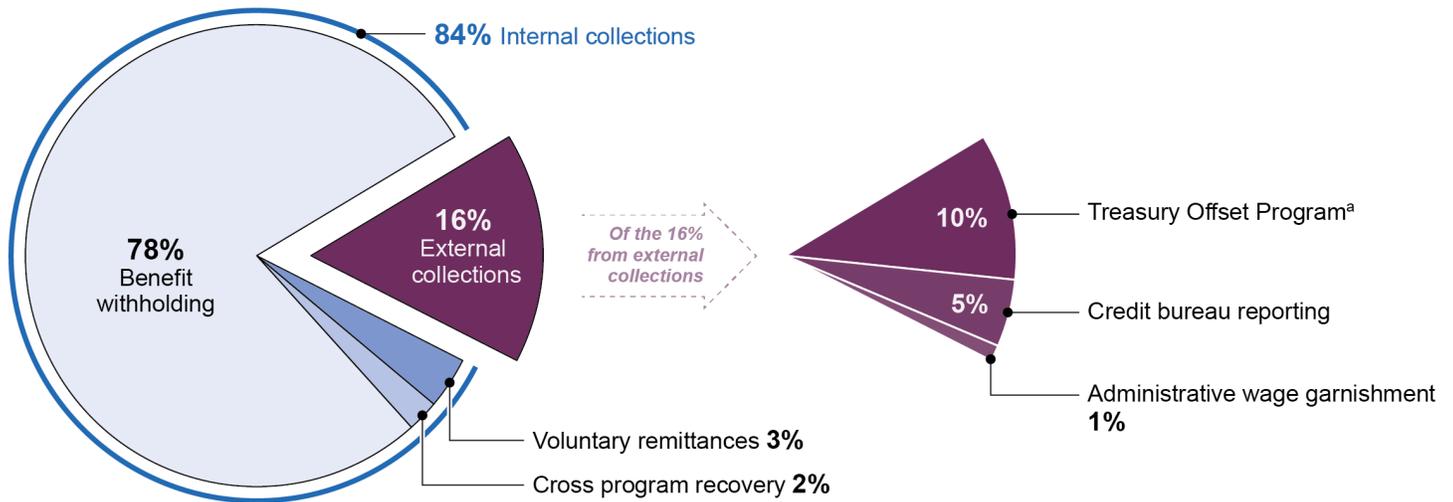
SSA Is Missing Opportunities to Improve Recovery of Disability Insurance Overpayments

SSA Relies on Withholding Benefits to Recover Most Overpayments

In fiscal year 2015, SSA identified about \$1.2 billion in new DI overpayment debt²² and recovered about \$857 million, of which 78 percent was collected by withholding some or all of beneficiaries' monthly benefits (see fig. 2). SSA officials told us benefit withholding is their most effective tool for recovering overpayments and that collecting overpayments from individuals who no longer receive benefits can be difficult as these individuals may lack tax refunds or other federal and state payments to offset. Nonetheless, while withholding accounts for the bulk of collections, individuals repaying in this way make up less than half of people who have DI overpayment debt. Specifically, those repaying through benefit withholding represent about 311,000 of 637,000 people with DI overpayment debt.

²²This amount was reported in SSA's 2015 4th quarter Treasury Report on Receivables.

Figure 2: SSA Disability Insurance Overpayments Recovered, by Method Used, Fiscal Year 2015



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-16-331

Note: Although credit bureau reporting does not directly result in collections, the prospect of a negative credit report can motivate individuals to repay debts. SSA attributes collections to credit reporting if debts are collected after this action.

^a The Treasury Offset Program includes tax refund offset, administrative offset, and federal salary offset.

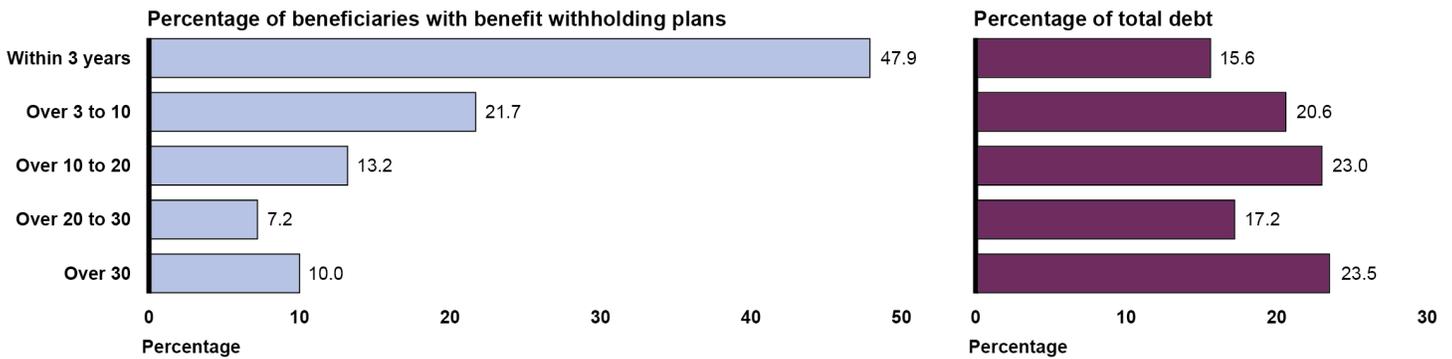
Most Withholding Plans Exceed 3 Years

Benefit withholding plans, in which SSA withholds a specified amount of an individual’s benefits each month, often reflect lengthy repayment periods. We estimated the length of time needed to complete repayment for overpayments being collected in this way at the end fiscal year 2015 (see fig. 3)²³ and found that over 50 percent of plans will take more than 3 years to complete. In addition, about 44,000, or 1 in 7 withholding plans are scheduled to be completed after the beneficiary’s 80th birthday. Given the age at which these beneficiaries are scheduled to complete repaying their debts, it is possible that many individuals will die before completing repayment. Moreover, individuals with the longest repayment periods account for a disproportionately large share of outstanding overpayment debt. For example, about 10 percent of individuals with withholding plans are scheduled to take over 30 years to repay their debts, but account for

²³We analyzed overpayments outstanding as of September 30, 2015 by beneficiary.

nearly a quarter of the outstanding debt to be recouped through withholding.

Figure 3: Estimated Time to Fully Recover Disability Insurance Overpayment Debts through Benefit Withholding (for Debts Outstanding at the End of Fiscal Year 2015)

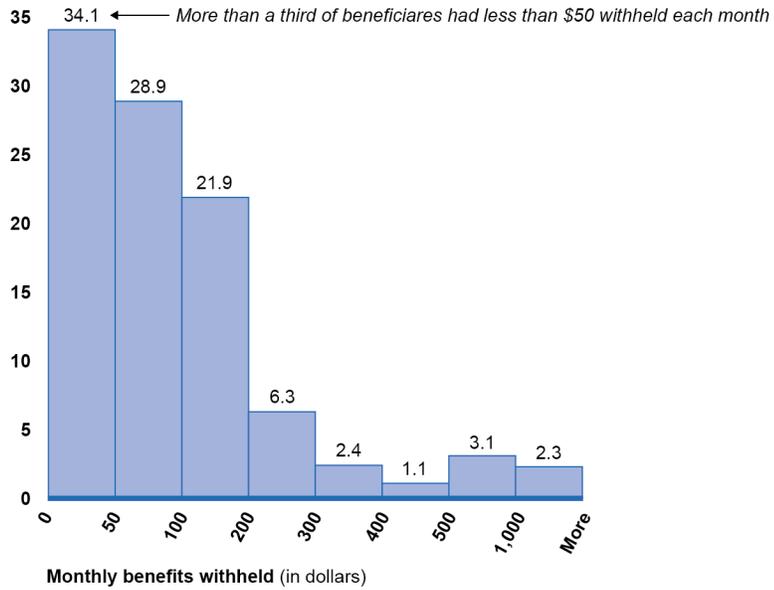


Source: GAO analysis of Social Security Administration (SSA) data. | GAO-16-331

We also found that over a third of withholding amounts were less than \$50 and over half were less than \$100 (see fig. 4). The median amount of monthly benefits being withheld from beneficiaries' DI benefits to repay prior overpayments was \$57. In addition, many withholding amounts represented a small percentage of recipients' monthly benefits. About two-thirds of withholding amounts were less than 10 percent of beneficiaries' monthly benefit (see fig. 5). SSA withheld a median of less than 8 percent of individuals' monthly benefits for repayment.²⁴

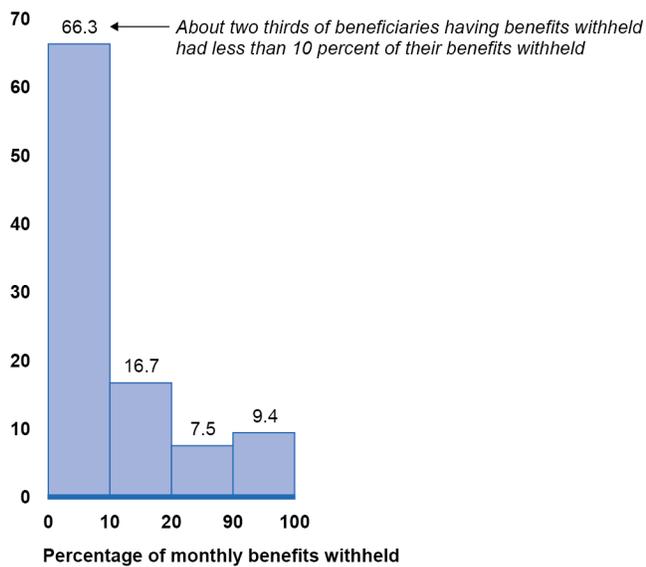
²⁴SSA withholds under 15 percent of benefits from a large majority of beneficiaries with overpayment debt, but sometimes withholds almost all benefits, which means that the average withholding level is considerably larger than the typical withholding level. We report medians to offer a better sense of SSA's typical action. For additional details on our methods and analysis, including means, see appendix II.

Figure 4: Monthly Benefits Withheld from Beneficiaries to Recover Disability Insurance Overpayments (End of Fiscal Year 2015)
 Percentage of beneficiaries having benefits withheld



Source: GAO analysis of Social Security Administration data. | GAO-16-331

Figure 5: Percentage of Monthly Benefits Withheld to Recover Disability Insurance Overpayments (End of Fiscal Year 2015)
 Percentage of beneficiaries having benefits withheld



Source: GAO analysis of Social Security Administration data. | GAO-16-331

We also found, when we looked at data from the end of fiscal year 2015, that individuals with lower benefits had a larger share of their monthly benefits withheld for an overpayment debt (see appendix II, figures 7 and 8). For example, the median withholding level for those in the lowest quartile of monthly benefits was 10 percent, while for those in the highest quartile of monthly benefit, the median was 6.2 percent.²⁵ Appendix II provides additional information on overpayments and withholding amounts and rates.

Gaps Exist in SSA's Guidance, Oversight, and Verification of Information Related to Withholding Plans

Despite SSA's heavy reliance on withholding benefits to recover debt, we found gaps in SSA's guidance, oversight, and verification of information related to establishing withholding plans. The importance of determining and collecting an appropriate amount of debt from individuals is laid out in federal standards. The Federal Claims Collection Standards indicate agencies need to aggressively collect all debts arising out of activities of that agency, and that the size and frequencies of installment payments should bear a reasonable relation to the size of the debt and the debtor's ability to pay. When pursuing debt, it is important for SSA to balance collection efforts against not placing too high a burden on an individual repaying a debt, and for SSA to have policies and procedures in place that ensure staff consistently make decisions on debt recovery that balance these opposing goals. However, as described below, SSA policy for determining reasonable beneficiary expenses is ambiguous, repayment plans are not subject to review or oversight, and beneficiaries' self-reported financial information is not independently verified. In the absence of these elements, SSA cannot reasonably ensure that repayment amounts and time frames determined by its staff are appropriate and set in accordance with best practices and agency policy.

Policies for Determining Appropriate Expenses

SSA's policies for how to consider beneficiaries' expenses when determining benefit repayment amounts are ambiguous and leave much to the judgment of staff. Federal Internal Control Standards indicate that agencies' policies and procedures should be clearly documented in administrative policies or operational manuals.²⁶ According to SSA policy,

²⁵The lowest quartile consists of people receiving up to \$706 per month and a mean of \$377 per month, while the top quartile consists of people receiving at least \$1,243 per month and a mean of \$1,609 per month.

²⁶GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#). (Washington, D.C.: November 1, 1999).

staff are to obtain an SSA form 632 documenting financial information, including income and expenses, from a beneficiary to determine his or her ability to repay an overpayment when the beneficiary requests a repayment period exceeding 36 months.²⁷ In these cases, SSA policy generally directs staff to withhold the amount by which an individual's income exceeds expenses, or the rate permitted by income or assets if there are excess assets, and notes that this amount should generally not be less than \$10 per month. However, a recent report prepared for SSA by an external auditor found that the agency has contradictory policies for determining what reasonable expenses are for beneficiaries. SSA's policy states that a person's particular circumstances and lifestyle determine whether expenses are ordinary and necessary, and that patterns of living are established over time and these patterns must be considered when evaluating the facts. At the same time, SSA policy also directs staff to not allow extraordinary and unnecessary expenses, regardless of the person's standard of living. The report noted that these conflicting statements can lead to confusion when determining a feasible repayment rate. In contrast, the Internal Revenue Service provides detailed guidance on allowable living expenses when determining taxpayers' ability to repay a delinquent tax liability. Its Collection Financial Standards include national guidelines for the cost of food, clothing, and other items and local standards for housing, utilities, and transportation costs. In the absence of clear guidance, SSA staff may struggle to determine what a beneficiary can reasonably afford to repay and could lead to inconsistencies across different repayment plans.

Oversight and Documentation of Repayment Plans

SSA lacks effective oversight to know whether these plans are being consistently or appropriately administered. Federal Internal Control Standards indicate that key duties and responsibilities need to be divided among different individuals to reduce the risk of errors, and this should include separating responsibilities for authorizing, processing, recording, and reviewing transactions. In 2011, we reported that SSA staff are not required to obtain supervisory review of repayment plans, and recommended that SSA require supervisory review of repayment plans that extend beyond 36 months—the point at which SSA staff are directed to evaluate an individual's ability to repay based on income, assets, and expenses. The agency disagreed with our recommendation and has not

²⁷While SSA policy requires this information be requested for all plans where repayment is less than full benefit withholding, staff are only directed to obtain a form 632 documenting the beneficiaries finances for repayment plans exceeding 36 months.

taken any action to implement it. In the course of our current review, SSA maintained that reviewing withholding plans would not increase recovery of overpayments, but the agency did not provide any analyses or studies to support its position.²⁸ We continue to believe that supervisory review is an important part of ensuring that staff create appropriate repayment plans.

In addition to lacking supervisory review, SSA also has not performed targeted reviews of repayment plans for adherence to policy, even though the agency systematically samples cases to review other aspects of DI overpayment decision making through its Continuous Quality Area Director Reviews,²⁹ such as whether waiver decisions are properly documented. Without oversight provided by either supervisory or quality assurance reviews, the consistency and appropriateness of repayment amounts cannot be known.

While oversight over repayment plans is lacking, any efforts to provide oversight could be hampered by a lack of documentation. Federal Internal Control Standards state that all transactions and other significant events need to be clearly documented, and that the documentation should be readily available for examination.³⁰ SSA policy directs staff to obtain information and supporting documentation of the beneficiary's income, assets, and expenses. This information should be documented by the beneficiary on a form 632 worksheet. Although SSA policy directs staff to retain copies of all supporting documentation (including bills and bank statements) for individuals whose overpayment is \$75,000 or more, SSA policy does not explicitly require that supporting documentation—including the form 632 worksheet—be retained for lesser overpayment amounts. Since the median overpayment balance was about \$3,200 at the end of fiscal year 2015, an audit trail for conducting oversight may not exist for many repayment plans. Our review of a small sample of

²⁸ [GAO-11-724](#). While SSA disagreed with our recommendation, it did remind staff to follow its policy of collecting overpayments within 36 months if possible.

²⁹ The Continuous Quality Area Director Review process provides SSA with a national approach to improving the accuracy of work performed in its field offices. In fiscal year 2014, the process used a web-based tool to complete targeted reviews of error-prone workloads.

³⁰ *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

Verifying Self-Reported
Information

overpayment case files—with overpayment amounts ranging from about \$3,000 to about \$165,000—raised questions about the sufficiency of documentation. Our non-representative sample of 16 cases was of overpayments being repaid through benefit withholding and with repayment periods exceeding 36 months.³¹ In 4 cases the overpayment was over \$75,000 and retention of supporting documentation, such as mortgage statements, bills, or pay stubs, is directed by SSA policy; however, only 2 had any documentation verifying income or expenses. Further, in 3 of 8 cases in which beneficiaries were directed to complete a form 632—the worksheet used by the beneficiary to request a repayment period exceeding 36 months and to document relevant financial information—we found no evidence in the file that the form was completed. Ultimately, not requiring documentation to be retained for the record for all plans precludes the agency from reviewing the accuracy of repayment amounts in any future review.

SSA may be missing opportunities to verify self-reported financial information, and therefore individuals' ability to repay overpayments. Federal Claims Collection Standards state that agencies should obtain financial statements from debtors who represent that they are unable to pay in one lump sum and independently verify such representations whenever possible.³² Further, GAO's Framework for Managing Fraud Risks in Federal Programs states that managers should take steps to verify self-reported data to effectively prevent and detect instances of potential fraud.³³ While SSA policy directs staff to collect evidence (such as bank statements or bills) to corroborate self-reported financial

³¹Of the 16 cases we reviewed, we determined that in only 8 cases should the beneficiary have submitted a form 632 and, of the 8, only in 4 was SSA directed to obtain and retain documentation because the overpayment exceeded \$75,000. We determined that for the other 8 cases, a form 632 was not necessary because either: the individual was having 100 percent of their benefit withheld, the full repayment was expected to occur within 36 months or the individual was also receiving SSI benefits which generally result in withholding 10 percent of an individual's monthly DI benefit.

³²31 C.F.R. § 901.8(a).

³³GAO, *A Framework for Managing Fraud Risks in Federal Programs*. [GAO-15-593SP](#) (Washington, D.C.: July 28, 2015).

information from some beneficiaries,³⁴ the agency may be able to more efficiently and effectively validate self-reported information by other means that SSA already is leveraging for other purposes. For example, SSA is already using the Department of Health and Human Services' National Directory of New Hires (NDNH)³⁵ to determine an individual's initial and continued eligibility for DI and SSI benefits. The value of this database was further demonstrated in March 2014 when SSA initiated the Quarterly Earnings Pilot to systematically identify and contact DI beneficiaries before their earnings cause them to accumulate large overpayments.³⁶ According to SSA, the project identified 278 cases for contact using these data about 10 months earlier than it presumably would have identified them using old procedures and methods, uncovering about \$3 million in overpayments. Nevertheless, SSA officials told us the agency has not studied the feasibility of using NDNH to verify income information from individuals seeking to establish withholding plans. Similarly, since 2011, SSA has used an automated process, Access to Financial Institutions (AFI), to verify Supplemental Security Income (SSI) applicants' bank balances and detect undisclosed accounts. In November 2015, legislation was enacted that requires individuals to authorize SSA to access their financial information when deciding whether to waive their overpayments under certain circumstances.³⁷ Although SSA uses the same form to collect self-reported information for overpayment waiver decisions and withholding plans, according to SSA officials, the agency has not yet determined whether this recent legislation allows it to use AFI for verifying withholding plans that extend beyond 36 months. Using information sources, like AFI and NDNH, to verify financial information provided by beneficiaries can help SSA ensure that it is collecting no more or no less than an individual can afford to pay.

³⁴While SSA policy directs staff to collect documentation to corroborate self-reported information, as noted earlier SSA only directs such documentation to be retained in the file if the overpayment amount is \$75,000 or more. Since most overpayments are lower than \$75,000, it would be difficult for SSA or an auditor to determine the extent to which staff are collecting this documentation in accordance with SSA's policy.

³⁵This database contains wage data that is updated more frequently than SSA's Master Earnings File (MEF). NDNH contains quarterly data, whereas MEF contains annual wage data.

³⁶The Quarterly Earnings Pilot was focused on individuals participating in SSA's Ticket-to-Work and Self-Sufficiency program, whose participants include DI beneficiaries.

³⁷Pub. L. No. 114-74, § 834, 129 Stat. 584, 614.

SSA Is Taking Steps to Improve Debt Collection, but Lacks Plans for Using Additional Promising Collection Tools

SSA reports that it has or is taking several steps to improve the collection of delinquent DI overpayment debt. These include:

- *Modernizing the External Collection Operation (ECO) system:* The ECO system identifies beneficiaries with delinquent debt and refers them to Treasury for external collection, using tools such as wage garnishment and tax refund offset. Currently, due to a system limitation, if a debtor has multiple debts, all of the debts must meet the criteria for referral to Treasury. If one debt is not eligible for referral—for instance if an individual is requesting that a debt be waived—none of the debts will be referred. According to SSA officials, as part of its Overpayment Redesign initiative, SSA plans to address this limitation by changing the way in which ECO stores debts to be able to select debts on an individual level as opposed to the aggregate beneficiary record level. This update should allow Treasury to use external collection tools against more debtors and potentially increase the amount of overpayments recovered through these tools.
- *State Reciprocal Program:* Under the State Reciprocal Program (SRP), managed by the Treasury as part of the Treasury Offset Program, the federal government enters into reciprocal agreements with states to collect debts by offsetting state payments due to debtors, such as state income tax refunds. This program provides SSA with an additional avenue to recover overpayments from delinquent debtors and may increase overall debt recovery. SSA published regulations in October 2011 and modified its systems to begin accepting offsets of state payments in 2013. According to SSA officials, SSA is dependent upon Treasury, who enters into reciprocal agreements with states, to expand the SRP to additional states.³⁸
- *Address Verification Project:* Implemented in February 2015, SSA's Address Verification Project is expected to improve its ability to notify individuals with delinquent debt before referring them to external collection. Prior to implementation, SSA relied on the addresses in its records when notifying debtors of their delinquent debt. If the United States Postal Service returned the notice, SSA would cease collection activity, and use a contractor to obtain a current address to re-notify the debtor. It now obtains a current address from the contractor prior to mailing the notice to ensure it has current address information.

³⁸As of fiscal year 2014, seven states and the District of Columbia participated in SRP.

SSA and GAO identified several additional options that could increase its overpayment recoveries. Officials told us that one change they are considering is to make the minimum monthly withholding amount 10 percent of an individual's monthly benefit instead of the current \$10 minimum, but SSA is in the early stages of studying this option and does not yet have time frames for implementing such a change.³⁹ The agency noted that this could help minimize the number of long-term repayment plans and would put DI collections more in line with its SSI program.⁴⁰ Beyond this, we identified two additional options based on past GAO work or conversation with SSA.⁴¹

- *Adjusting monthly benefit withholding according to cost of living adjustments (COLA):* In 1996, we recommended that SSA adjust its monthly withholding amounts so that they keep pace with any annual increases in benefits.⁴² This option would accelerate overpayment recoveries with only minimal effect on recipients' monthly benefits.
- *Charging interest on debt:* SSA officials told us that they have the authority to charge interest on delinquent overpayment debt⁴³ and would like to be able to do so, but that they have not done so due to

³⁹In its comments, SSA noted that it developed a legislative proposal to change the minimum withholding rate to 10 percent of monthly benefits. A summary of this proposal was included in the agency's fiscal year 2017 budget submission.

⁴⁰The rate of adjustment of SSI benefits to recover SSI overpayments is generally the lesser of 10 percent of the recipient's total monthly income (countable income plus SSI and State supplementary payments), or the recipient's entire monthly benefit. See 20 C.F.R. §§ 416.570, 416.571.

⁴¹We did not conduct an exhaustive review of potential options for improving debt recovery; as a result, there may be potential options that were not included in our analysis.

⁴²DI benefits are generally adjusted each year to reflect changes in the cost of living. One option for increasing recoveries is to adjust benefit withholding by the same percentage that benefits are adjusted annually to account for inflation. GAO, *SSA Overpayment Recovery*, [GAO/HEHS-96-104R](#). (Washington, D.C.: Apr. 30, 1996).

⁴³For the purposes of charging interest on overpayment debt, a number of criteria need to be met for it to be considered delinquent. Among others, these criteria include: the overpaid individual is no longer entitled to benefits under title II of the Social Security Act; SSA has not entered into an installment payment agreement with the individual, or if SSA has entered into such an arrangement, the overpaid individual has failed to make any payment for 2 consecutive months; and, the overpaid individual has not requested reconsideration of the initial overpayment determination, or if after review, SSA affirms, in whole or in part, the initial overpayment determination. For additional information, see 42 U.S.C. § 404(f) and 20 C.F.R. § 404.527.

resource constraints and competing priorities. With respect to debts that are in the process of being repaid, such as through benefit withholding, SSA has determined that it does not have the authority to charge interest. As we discuss below, however, charging interest on debt that is being repaid could help protect the value of overpayments against the effects of inflation, especially over longer repayment periods.

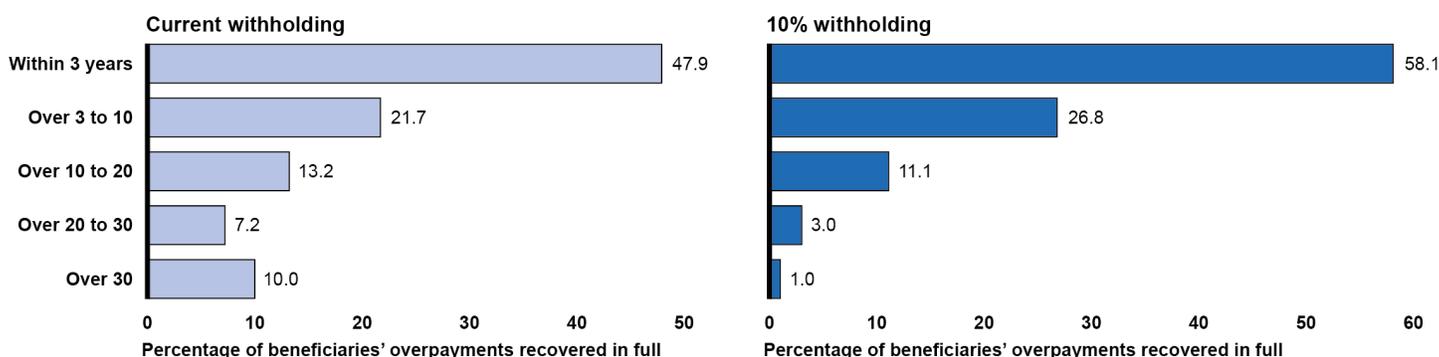
However, SSA lacks concrete plans and timeframes for studying and implementing these options or any other collection tools beyond those already in place, and SSA officials told us the agency currently has more pressing priorities than expanding its DI debt recovery tools. Federal Claims Collection Standards state that federal agencies shall aggressively collect all debts arising out of activities of, or referred or transferred for collection services to, that agency. Further, collection activities shall be undertaken promptly with follow-up action taken as necessary.

Our analysis of the options we examined show that they hold promise for increasing SSA's recovery of DI overpayments. We reviewed overpayments as of September 30, 2015 that were being repaid through benefits withholding, and determined how existing scheduled benefit withholding amounts would be affected by: (1) making the minimum withholding amount 10 percent of monthly DI benefits, (2) adjusting withholding amounts according to annual COLAs, and (3) charging interest on debts being collected through withholding. We took outstanding debts and withholding levels and computed the repayment schedule under the status quo and each alternative option. By definition, repayment schedules do not account for future changes such as individuals who gain or lose eligibility for benefits or whose ability to repay changes. Changes such as those mean that actual collections differ from scheduled collections. Options that increase withholding will speed recovery and reduce the effects of attrition, while charging interest will delay the completion of repayment and magnify the effects of attrition. Nonetheless, these options—implemented alone or in combination—have the potential to significantly increase collections of overpayment debt.

Of the options we examined, setting a minimum withholding amount equal to 10 percent of an individual's monthly DI benefit has the greatest potential to increase scheduled collections and reduce the amount of time to fully recover overpayments. We estimate this option would increase scheduled collections by \$276 million over 5 years and reduce the median scheduled time to fully recover all beneficiary overpayments from

3.4 years to 2.3 years. Further, those beneficiaries scheduled to take over 20 years to complete repayment would decrease from 17 percent to 4 percent.⁴⁴ Figure 6 below provides additional information on the effect of this scenario on scheduled repayment times. The increase in collections under this scenario comes entirely from individuals currently having less than 10 percent of their benefits withheld, and as such, the changes within this portion of the population are more pronounced when examined separately. Among those beneficiaries, the median scheduled repayment time would decrease by over half, from 5.9 to 2.5 years.

Figure 6: Years to Full Disability Insurance (DI) Overpayment Recovery—Current Benefit Withholding versus Withholding a Minimum of 10 Percent of Monthly Benefits—for All Beneficiaries Having Benefits Withheld as of September 30, 2015



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-16-331

Increasing the minimum withholding rate to 10 percent of monthly benefits could also be implemented in a way that improves collections while sparing or minimizing the effect on beneficiaries receiving the lowest monthly benefits. We estimate that only about 5 percent of the increase in collections would come from the quartile of beneficiaries receiving the lowest monthly benefits, in part because they already have a disproportionately larger amount of benefits withheld, and in part because increasing the withholding rate recovers much less dollar-wise from those receiving lower monthly benefit levels than those with higher benefits.

⁴⁴We did not estimate how many current beneficiaries may no longer be eligible for benefits and benefit withholding in the future.

We estimate that adjusting monthly withholding amounts according to COLAs or charging interest on overpayment debt would have a smaller effect than changing the minimum withholding rate to 10 percent of monthly benefits (see table 1), but could help protect the DI trust fund from the effects of inflation. For example, if SSA overpaid a dollar in 1985 and the beneficiary repaid that dollar 30 years later in 2015, the recovered dollar would have only 45 percent of the buying power of the 1985 dollar. Similarly, if SSA overpaid a dollar in 2010 and recovered it in 2015, the repaid dollar would have only about 92 percent of the buying power of the dollar SSA overpaid. Given that many withholding plans extend for decades, the effect of inflation can be significant. Charging interest on outstanding overpayment balances at the rate of inflation would counteract the effect of inflation and give repaid dollars the same buying power they had when erroneously paid years earlier. Other agencies already charge debtors interest. For instance, the Internal Revenue Service charges individuals with delinquent tax debt interest at a rate that is adjusted quarterly and is based on the federal short-term interest rate. Similarly, adjusting monthly withholding amounts according to COLA increases could help accelerate repayments and thus help negate the effect of inflation on amounts repaid to the DI Trust Fund.

Implementing any combinations of the options we examined could result in even higher scheduled collections. For instance, setting a minimum withholding rate of 10 percent of monthly DI benefits and charging an interest rate of 1 percent would increase scheduled collections by \$287 million over the next 5 years, while these options implemented individually would be scheduled to bring in \$276 million and \$7 million respectively.

Table 1: Potential Increases to Scheduled Disability Insurance Overpayment Collections for Fiscal Years 2016-2020 Achieved by Adjusting Existing Withholding Plans

In 2016 dollars				
	Annual inflation rate assumption ^a			
	No inflation	2.0%	2.7%	3.4%
No adjustment (baseline collections)	\$1.04 bil.	\$1.00 bil.	\$0.98 bil.	\$0.97 bil.
Options for adjusting withholding plans	Potential increases to collections			
Collections with a minimum withholding rate of 10% of DI benefits ^b	\$276 mil.	\$288 mil.	\$292 mil.	\$296 mil.
Only including COLA	—	\$29 mil.	\$38 mil.	\$47 mil.
Charging interest on overpayment amounts ^c	\$7 mil.	\$14 mil.	\$18 mil.	\$23 mil.
COLA and charging interest on overpayment amounts ^c	\$7 mil.	\$44 mil.	\$58 mil.	\$72 mil.
Collections with a minimum withholding rate of 10% of DI benefits, COLA and charging interest on overpayment amounts ^c	\$287 mil.	\$320 mil.	\$334 mil.	\$348 mil.

Source: GAO analysis of SSA data on DI overpayments and debt recovery. | GAO-16-331

Note: Amounts shown in the table reflect increases to scheduled collections by adjusting withholding amounts on overpayments being recovered through benefits withholding as of September 30, 2015. Our analysis does not take into account changes that would affect this population in the future, such as individuals who become ineligible for benefits and no longer repay overpayments through benefits withholding. It also does not account for current debtors who may start repaying through benefits withholding, individuals who may incur an overpayment in the future, or individuals who may make adjustments to their withholding plans. Total actual recoveries would thus likely differ from scheduled recoveries.

^aInflation rate assumptions are from the 2015 Annual Social Security Trustee's report.

^bUnder this scenario, we tied the minimum withholding rate of 10 percent of benefits to any estimated cost of living adjustment so that the withholding amount would continue to be 10 percent of monthly benefits after a benefit increase.

^cSSA does not currently have statutory authority to charge interest on debts that are currently being repaid. However, SSA may charge interest on debt that is delinquent. The rate it may charge is equal to the average investment rate for the Treasury tax and loan accounts for the 12-month period ending on September 30 of each year, and for 2016 the rate is 1 percent. We assumed this 1 percent interest rate in the zero inflation scenario, a 2.0 percent interest rate in the 2.0 percent inflation scenario, a 2.7 percent interest rate in the 2.7 percent inflation scenario, and 3.4 percent interest rate in the 3.4 percent inflation scenario.

SSA Lacks Reliable Data and Oversight to Know Whether Penalties and Sanctions Are Used Effectively

SSA Lacks Reliable Data to Track and Tools to Collect Penalties

SSA's OIG has in recent years increased its use of penalties against individuals who knowingly mislead the agency, according to SSA's Office of Counsel to the Inspector General (OCIG), which is responsible for imposing penalties. According to SSA officials, in fiscal year 2010, OCIG successfully resolved 89 cases and imposed penalties totaling approximately \$3.9 million.⁴⁵ That increased to 313 cases and more than \$17.6 million in fiscal year 2015. OCIG officials attribute this increase to improving its evaluations process and more management focus on the use of penalties as a deterrent.

Increased penalties notwithstanding, officials told us SSA lacks reliable data on the status of penalties, how much of penalty amounts have been collected, and how much is delinquent. While OCIG imposes penalties on individuals, SSA's Office of Operations is ultimately responsible for collecting these amounts. SSA officials said they could not provide us with comprehensive data on the number and amount of penalties paid because of limitations in their computer systems, and added that they would need to review each individual case to determine its repayment status. Federal Internal Control Standards indicate that program managers need appropriate data to monitor the performance of their program and help ensure accountability.⁴⁶ Without valid data on the disposition of penalties, SSA cannot determine whether penalties are being used effectively across the agency and if individuals who mislead the agency are paying as appropriate. SSA reports that it is planning a number of steps to better track imposed penalties, and ultimately the

⁴⁵According to SSA, successfully resolved cases are those that were settled, had a favorable judgment, or where a penalty was imposed.

⁴⁶[GAO/AIMD-00-21.3.1](#).

amounts collected as part of a larger effort to improve its processing of overpayments and other debts. According to its plans, SSA hopes to: by fiscal year 2018, assign penalties a unique transaction code to be able to track them through the collection process; and by fiscal year 2020 unbundle penalties from other debts owed by an individual in its ROAR database—which is used to track debts and collections—in order to allow remittances to be directly applied to penalties as opposed to an individual’s cumulative debt.⁴⁷ While such improvements could help address the limitations we identified, they are a number of years away. Further, SSA notes in its plans that they may be subject to delays related to resource constraints. Moreover, SSA is still in the process of analyzing and planning potential fixes. As such, it is uncertain whether SSA will meet its intended time frames or whether its currently planned efforts may change and ultimately address the shortcomings it identified.

SSA has met with limited success collecting on imposed penalties, and is not using some tools to better ensure that individuals who knowingly mislead the agency pay their penalties. Officials said SSA currently only collects penalties by either withholding DI or other SSA benefits, or relying on individuals to voluntarily remit penalty amounts. A recent OIG audit highlighted the difficulty that SSA has in collecting delinquent penalties.⁴⁸ In a sample of 50 penalties imposed between calendar years 2010 and 2012 totaling \$1.9 million, OIG found that about \$1.7 million of that amount remained uncollected as of July 2014. The majority of that amount (approximately \$920,000) was associated with individuals not receiving benefits and with whom SSA had no ongoing collection actions—the same category of individuals who could be targeted with external collection tools. While officials noted the agency determined it can refer penalties for collection through some external collection tools, such as wage garnishment, tax refund offsets, and administrative offsets, the agency has not utilized them.⁴⁹ According to officials, SSA drafted a

⁴⁷This might occur, for instance, if an individual is both paying a penalty and repaying an overpayment.

⁴⁸SSA generally considers a debt delinquent when no voluntary payment has been made 30 days after the latest of the following: the date the debt was established on SSA’s ROAR computer system, the date of the last payment, or the date of a denial decision of a waiver request or affirmation decision on a reconsideration request.

⁴⁹Administrative offset withholds or reduces other federal payments to the individual other than tax refunds or salary.

regulation for implementing these options; however, the regulation is still undergoing internal review and SSA does not yet have time frames for implementing these options. Moreover, the agency determined it is prohibited by statute from referring delinquent penalties for collection through other tools, such as federal salary offset, credit bureau reporting, and assessing interest.⁵⁰ Nevertheless, SSA has not explored pursuing legislative authorities to use these tools. By not collecting some delinquent penalties and not considering additional tools to do so, SSA may be undermining the deterrent value of penalties against potential fraud. GAO's Framework for Managing Fraud Risks in Federal Programs indicates that a consistent response to fraud demonstrates that management takes this subject seriously, and that the likelihood that individuals who engage in fraud will be punished serves to deter others from engaging in fraudulent behavior.⁵¹

SSA Recently Changed Its Sanctions Procedures, but Weaknesses Persist

SSA collaborated with OIG to change its sanctions procedures in 2013 in an effort to more consistently impose sanctions across the agency. Prior to this change, officials told us, SSA field offices had broad discretion to impose sanctions. SSA officials told us that some offices were more aggressive in pursuing sanctions and that an offense that could result in sanctions in one office might not do so in another office. The new procedures direct that potential sanctions cases first be evaluated for prosecution or civil action by DOJ and then by OIG for the imposition of civil monetary penalties. Ultimately, SSA is responsible for determining whether to impose sanctions based on the circumstances of the case, such as whether evidence exists to show that the individual knowingly misled the agency. The relevant SSA field office is responsible for developing the documentation to support the sanction, which is then reviewed by a sanctions coordinator in the SSA regional office.

Despite changes in decision-making for sanction cases, unreliable data and shortcomings in how SSA tracks sanctions prevent the agency from reasonably ensuring that sanctions are imposed as appropriate, and ultimately prevent SSA from assessing whether its recent procedural changes had their desired effect.

⁵⁰See 31 U.S.C. § 3701(d).

⁵¹GAO, *A Framework for Managing Fraud Risks in Federal Programs*. [GAO-15-593SP](#) (Washington, D.C.: July 2015).

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- *SSA cannot reasonably ensure sanctions are imposed as appropriate:* SSA officials told us that they could not provide us with reliable data on the disposition of sanction cases. SSA currently tracks the disposition of sanctions in a database, which includes whether sanctions were imposed and the sanction period (i.e., the period of time during which beneficiaries will not receive benefits). However, this database requires SSA staff receiving information on sanctions to manually enter information about the sanction into the database, which lacks data checks or related oversight and may lead to errors and omissions. For instance, officials in three regional offices with oversight responsibilities told us that decisions on sanctions cases are generally communicated between OIG and the relevant field office. If these officials are inadvertently not included on the communications, they cannot ensure that the sanctions database is properly updated. One regional official said this has resulted in instances in which SSA headquarters wanted to know why sanctions were not imposed in particular cases, but this official did not have the information to respond correctly. Furthermore, officials in two regions noted that SSA's database does not generate alerts when field offices fail to take action on potential sanctions cases, thus making it incumbent on regional coordinators to manually track and follow up on the status of cases. One regional official noted that the lack of tracking resulted in several instances in which SSA was pursuing sanctions years after the alleged wrongdoing.
 - *SSA cannot evaluate procedural changes:* Beyond the disposition of specific sanctions, officials told us that they also lacked reliable data on the number of sanctions imposed and whether this number has changed since the current procedures were instituted in 2013. This is likely a result of the limitations in how sanctions data are captured as described earlier. Moreover, SSA conducted an internal assessment to determine whether field offices followed correct procedures for implementing sanctions. Specifically, SSA selected a sample of cases that were originally referred to OIG, and were subsequently returned by OCIG to field offices. SSA determined that sanctions were not imposed in the majority of cases in which sanctions were likely warranted, often because field offices did not take action on cases in a timely manner. The study did not determine why the agency failed to act on these cases in a timely manner. SSA officials speculated that it may be due to the difficulty of imposing harsh punishment on beneficiaries and because sanctions are labor intensive for SSA staff.

Federal Internal Control Standards indicate that managers need to compare actual performance to planned or expected results and analyze

significant differences, and that operational data is needed to determine whether they are meeting their goals for accountability.⁵² Furthermore, as indicated in GAO's Framework for Managing Fraud Risk in Federal Programs,⁵³ a prompt and consistent response to fraud demonstrates that agency management takes reports seriously and serves to deter others from engaging in fraudulent behavior. As a result of SSA's internal evaluation, the agency recognized the need to better track sanction cases, improve how it communicates decisions, and act on them in a timely manner. However, officials said the agency is in the early stages of determining how it will address these identified shortcomings, and ultimately ensure the deterrent value of sanctions.

More recently, OCIG officials told us that they plan additional changes in how OCIG refers cases back to SSA for possible sanctions. According to SSA, OCIG will share additional information with SSA that may be helpful in SSA's sanctions determinations. Notwithstanding this change, complete and accurate data will still be needed to effectively manage and evaluate SSA's sanctions program.

Conclusions

While overpayments account for a relatively small portion of all DI benefit payments, it is incumbent on SSA to collect these debts as a good steward of public funds. Improvements in collecting overpayment debt, however small, could help strengthen the solvency of the DI trust fund. In short, the collection of overpayment debts warrants more attention than SSA has demonstrated to date. Absent clear policies and oversight procedures for establishing and reviewing withholding plans, which are heavily relied on by SSA to recover the bulk of overpayments, SSA cannot be sure that beneficiaries are repaying debts in appropriate amounts within appropriate time frames. Further, SSA could be collecting too little or too much money each month from beneficiaries by not leveraging available tools to verify beneficiaries' ability to pay. By not implementing additional debt collection tools that would speed up lengthy withholding plans or ensure that the value of collections is not diminished by inflation, SSA is missing opportunities to restore debt to the DI trust fund. Increasing the minimum monthly withholding amount would promote more equity in how SSA deals with overpayments across its programs,

⁵²[GAO/AIMD-00-21.3.1.](#)

⁵³[GAO-15-593SP.](#)

while improvements to procedures and tools for establishing repayment plans would better protect those beneficiaries who truly lack resources to pay.

As part of its efforts to ensure the integrity of the DI trust fund, penalties and sanctions are key tools that the agency needs to use effectively. By not using all available tools to collect penalties and by not consistently imposing and tracking sanctions, SSA weakens its stance that fraud is unacceptable, and its ability to deter other individuals from attempting to collect benefits for which they are ineligible.

Recommendations for Executive Action

To ensure effective and appropriate recovery of DI overpayments and administration of penalties and sanctions, we recommend the Acting Commissioner of the Social Security Administration take the following 8 actions:

- Clarify its policy for assessing the reasonableness of expenses used in determining beneficiaries' repayment amounts to help ensure that withholding plans are consistently established across the agency and accurately reflect individuals' ability to pay.
- Improve oversight of DI benefit withholding agreements to ensure that they are completed appropriately. This could include requiring supervisory review of repayment plans or sampling plans as part of a quality control process, and requiring that supporting documentation for all withholding plans be retained to enable the agency to perform such oversight.
- Explore the feasibility of using additional methods to independently verify financial information provided by beneficiaries to ensure that complete and reliable information is used when determining repayment amounts. These additional tools could include those already being used by the agency for other purposes.
- Adjust the minimum withholding rate to 10 percent of monthly DI benefits to allow quicker recovery of debt.
- Consider adjusting monthly withholding amounts according to cost of living adjustments or charging interest on debts being collected by withholding benefits. Should SSA determine that it is necessary to do so, it could pursue legislative authority to use recovery tools that it is currently unable to use.

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- Pursue additional debt collection tools for collecting delinquent penalties. This includes taking steps to implement tools within its existing authority and exploring the use of those not within its authority, and seeking legislative authority if necessary.
 - Take steps to collect complete, accurate, and timely data on, and thereby improve its ability to track both:
 - civil monetary penalties and their disposition; and
 - administrative sanctions and their disposition.

Agency Comments and Our Evaluation

We provided a draft of this report to the Social Security Administration for comment. In its written comments, reproduced in appendix III, SSA agreed with 7 of our 8 recommendations and disagreed with 1. SSA also raised some broader concerns about the focus of our report. SSA stated that our report confuses two distinct issues: recovering overpayments and deterring fraud through civil monetary penalties and administrative sanctions. We agree that these issues are distinct; however, both are important parts of safeguarding the integrity of the DI program, and ensuring that payments are made in the right amounts to the right individuals. SSA stated that overpayments are not necessarily the result of fraud. We agree and note in our report that overpayments occur for a number of reasons, including fraud. SSA also stated it believed it was misleading to include deterring fraud in the title of our report, noting that penalties and sanctions are not themselves findings of fraud, and are based on, among other things, findings of false or misleading statements or knowing omissions by individuals. We acknowledge this distinction, and made revisions in the title and to the report in response to SSA's comments. However, we continue to believe that the consistent use of these tools serves as a deterrent against those who would engage in fraud or abuse of the DI program.

SSA agreed with our recommendation to clarify its policies regarding the reasonableness of expenses when determining beneficiaries' repayment amounts. SSA noted that it has already taken actions to clarify its policies regarding overpayments and waivers, and informed us in its comments that it delivered video training to its employees in 2015 on these topics. SSA added that it will continue to assess efforts and make other improvements to ensure consistent and accurate application of policy. To the extent that SSA's efforts also address unclear written policies, such actions could help meet the intent of the recommendation.

SSA agreed with our recommendation to improve the oversight of benefit withholding plans and said it will explore options to do so. However, it disagreed with requiring supervisory review of repayment plans. We present supervisory review as just one option for improving oversight, and there may be other approaches SSA could explore for improving oversight in this area. Nevertheless, we continue to believe that this option—recommended in prior GAO work—can be an effective option for ensuring that staff create appropriate repayment plans.

SSA agreed with our recommendation to explore the feasibility of using additional methods to independently verify financial information provided by beneficiaries when determining repayment amounts.

SSA agreed with our recommendation to adjust the minimum withholding rate to 10 percent of monthly DI benefits, and noted that the President's fiscal year 2017 budget submission contains a legislative proposal to do so. We acknowledge that SSA recently included a paragraph in its budget submission discussing this proposal. SSA may need to work closely with Congress to ensure this change is realized.

SSA disagreed with our recommendation to consider adjusting monthly withholding amounts according to cost of living adjustments or charging interest on debts being collected through withholding benefits. For debt subject to benefit withholding, which is not considered delinquent debt, SSA asserted that these measures would not have a significant effect on the amount of debt recovered, especially compared to the option of making the minimum withholding rate 10 percent of monthly benefits. For delinquent debt, SSA asserted charging interest on debts would require substantial changes to multiple systems that affect its overpayment businesses processes, and would require extensive training to its employees. While SSA stated it has studied the potential changes needed to charge interest on debt, without further consideration of, for example, the costs and benefits of charging interest or adjusting withholding amounts according to cost of living adjustments, SSA cannot know the extent to which these options would improve debt recovery efforts or help protect the value of debts against the effects of inflation, which can be substantial given that withholding plans can take decades to complete.

SSA agreed with our recommendation to pursue additional tools to collect delinquent penalties, and stated that it has begun drafting regulations to use existing external debt collection tools, as noted in our report. However we state in our report that SSA lacks timeframes for completing

this action. SSA reported that it is also developing a legislative proposal to allow it to use other tools it cannot currently utilize, such as reporting these debts to credit bureaus and withholding federal salary payments. Such actions, if implemented as intended, could help meet the intent of the recommendation.

SSA agreed with our recommendations to improve its ability to track penalties and sanctions, and noted that it is developing workload tracking tools for both, which it expects to implement in fiscal year 2016, and is in the planning stages of an overpayment redesign effort said that should result in more complete, accurate, and timely data for penalties. Such actions, if implemented as intended, could help meet the intent of the recommendations.

SSA also provided technical comments on our draft that we incorporated as appropriate. In particular, SSA noted that our draft report contained sensitive information on its sanctions process, which we agreed to exclude.

We are sending copies of this report to the appropriate congressional committees, the Acting Commissioner of the Social Security Administration, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

If you or your staff have any questions about this report, please contact me at (202) 512-7215 or bertonid@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix IV.

Sincerely yours,



Daniel Bertoni
Director, Education, Workforce and
Income Security

Appendix I: Objectives, Scope, and Methodology

In conducting our review of how the Social Security Administration (SSA) recovers Disability Insurance (DI) overpayments and oversees civil monetary penalties and administrative sanctions, our objectives were to examine (1) how and to what extent SSA is recovering DI overpayments, and (2) SSA's procedures for imposing penalties and sanctions, and how often they are used. We conducted this performance audit from November 2014 to April 2016, in accordance with generally accepted government auditing standards. These standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Recovery of DI Overpayments

To determine how SSA recovers DI overpayments, we reviewed relevant federal laws and regulations, and SSA policies and procedures. Regarding the extent to which SSA recovers overpayments, we obtained available data from SSA on the amounts of overpayments detected, waived or written-off, collected, and reestablished between fiscal years 2006 through 2015, as well as data on the cumulative DI overpayment debt balance at the start and end of each fiscal year in that period. We also obtained corresponding data on the amount of DI overpayment debt recovered through internal and external debt collection tools.

To examine SSA efforts to improve its recovery of overpayments, we reviewed agency plans, and publicly available documents such as its annual performance plan, and past GAO and Office of Inspector General (OIG) reports. We also interviewed SSA headquarters and regional staff responsible for overseeing the collection of overpayments. To obtain additional insight on SSA's recovery of DI overpayments, we interviewed officials from an organization representing SSA field office managers (National Council of Social Security Management Associations) and an organization representing advocates for individuals with disabilities (National Disability Rights Network).

To gain perspective on how SSA sets and documents overpayment repayments plans, we reviewed a non-representative sample of 16 overpayments being repaid through benefit withholding established in fiscal year 2015. We selected a mixture of cases in terms of (1) whether the original overpayment amount was over or under \$75,000, the threshold at which SSA policy requires the retention of documentation supporting income and expenses; and (2) whether more or less than 10 percent of the beneficiaries' monthly DI benefits were withheld to repay

the overpayment. We then randomly selected cases for review from each of the 4 subsets of cases that result from applying our two criteria. In reviewing these cases, we sought to determine how SSA verified beneficiaries' ability to repay overpayment and how it documented these decisions, including reviewing whether SSA retained supporting documentation in accordance with its policies. This sample is non-representative and our results are not generalizable to all benefit withholding plans.

Analysis of Overpayments and Potential Recovery Options

To examine the extent to which SSA is recovering DI overpayments and options for improving collections, we obtained data on DI overpayments as of September 30, 2015. The data we obtained came from SSA's Master Beneficiary Record (MBR) and Recovery of Overpayments, Accounting and Reporting (ROAR) systems. We limited our data request and analysis to those overpayments publicly reported by SSA.

Using these data, we calculated the effect of potential enhancements in terms of how much more SSA would be scheduled to collect in fiscal years 2016 through 2020, and how much faster SSA would be scheduled to recover these overpayments in full. Our estimates are based on withholding amounts and overpayments as of the end of fiscal year 2015 and the assumption that everyone will continue to pay based on the current schedule. This implies there will be, for example, no future changes in eligibility for benefits, no deaths among people having benefits withheld, and no changes in withholding amounts. We also did not attempt to estimate future overpayments. As such, actual total collections would differ from scheduled total collections. The enhancements we discuss below are based on information obtained from SSA or through examining past GAO work. We did not conduct an exhaustive review of options for improving debt recovery and there may be others that we did not consider.

In reporting scheduled repayments for all of our enhancement scenarios, we adjusted repayment amounts by four inflation rates: 0, 2.0, 2.7, and 3.4 percent. This gives the reader a sense of the extent to which each of the policy options counteracts the effects of inflation, either by inflation-adjusting repayments, or simply speeding up SSA's recovery of overpayments, thereby reducing its exposure to inflation. For each month, we then computed the recipient's remaining balance assuming that the recipient repaid either their normal monthly repayment amount or the remaining balance, whichever was less. We included the 0 percent inflation scenario because it isolates the effects of factors other than

inflation. Social Security estimated long-range inflation scenarios of 2.0, 2.7, and 3.4 percent in its 2015 Trustee's Report.

We computed total repayments in each scenario as the sum of monthly payments. We assumed that people make monthly payments until they have paid off their entire balance and then stop paying. If their balance was less than their usual monthly payment, we assumed they paid exactly the outstanding balance in their final month. We estimated scheduled repayments for the following scenarios:

1. *Baseline collections (no change)*: We examined beneficiaries' outstanding overpayment balances as of September 30, 2015, as well as their current monthly repayment rates. We used that information to estimate, at current withholding rates, when beneficiaries are scheduled to complete repaying their overpayment debts, age at scheduled repayment, as well as how much they are scheduled to repay over the next five fiscal years.
2. *Setting the minimum withholding rate to 10 percent of monthly DI benefits*: We computed the standing repayment amount as the greater of 10 percent of the recipient's post-COLA benefits in each month or the recipient's actual repayment amount in the ROAR system as of September 30, 2015.
3. *Adjusting monthly withholding amounts by the cost of living adjustment (COLA)*: These scenarios increased the withholding amounts that SSA reported by 0, 2.0, 2.7, or 3.4 percent effective in January of each year. The 2.0, 2.7, and 3.4 percent estimated COLAs are based on SSA's long-range inflation estimates in the 2015 Social Security Trustee's report. This scenario adjusts both benefit and withholding amounts.
4. *Charging interest*: This scenario increases the remaining balance at the beginning of year by 1 percent in the 0 percent COLA scenario, and an interest rate equal to the rate of inflation in the other scenarios. We chose the 1 percent interest rate in the no inflation scenario

because it is the rate of interest the US government is allowed to charge in calendar year 2016 on delinquent debts.¹

5. *Combined scenarios:* We report the results of a few policy options in combination. It is important to note that our combination of interest and COLA effectively undo the effects of inflation on both monthly repayment amounts and on total debt owed.

We assessed the reliability of the data we used by checking for extreme and implausible values and by comparing the totals in them to published sources and found them to be sufficiently reliable for our use.

In estimating scheduled repayments for the above scenarios, we made a number of decisions and assumptions about overpayments and withholdings in the custom file provided by SSA. The data provided by SSA listed all overpayments that SSA is either actively trying to collect or has conditionally written off, referred to Treasury, and will collect if the beneficiary becomes eligible for disability or retirement benefits. These data lists both a claimant—the person whose disability creates eligibility for DI benefits—and a beneficiary—who may be the claimant, the claimant's spouse, or a dependent of the claimant. SSA officials told us that the agency can seek repayment from the claimant, beneficiary, or anyone else receiving benefits on the claimant's earnings record. We aggregated this overpayment level data to the beneficiary level, taking the maximum withholding amount per beneficiary if the beneficiary's account showed more than one overpayment, and adding together withholding in rare instances when one person benefited from overpayments to multiple claimants.

If a beneficiary had withholding on any one of the overpayments on his or her record, we treated all overpayments on the account as subject to recovery through withholding. This methodology can misstate repayment times in situations where, for example, a beneficiary had overpayments both on their own disability claim and their parent's disability claim, and both parties are involved in repaying the beneficiary's overpayments.

¹ Federal agencies can generally charge a minimum rate of interest on outstanding debt equal to the average investment rate for Treasury tax and loan accounts for the 12-month period ending on September 30 of each year, rounded to the nearest whole percentage point. The Secretary of the Treasury is required to publish the rate before November 1 of that year. The rate is effective on the first day of the next calendar quarter. See 31 U.S.C. § 3717(a)(1).

We identified and excluded from our analysis beneficiaries who appeared to be deceased by matching their Social Security Numbers (SSN) to the full SSA Death Master File. This may exclude some recoverable overpayments from our analysis because SSA officials told us that they could seek repayment from anyone receiving benefits on the claimant's earnings record. While about 40 percent of the conditionally written off recipients matched to the full SSA Death Master File, only about 0.01 percent of people in withholding status matched to the full SSA Death Master File.

We computed the time to repay under the status quo condition by dividing the sum of current balances for a beneficiary by the withholding amount, calculated as described above. In general, this yields repayment schedules that end—as expected—no later than December 2049 due to limitations of SSA's data system. In a handful of cases—where we aggregate one beneficiary across multiple claimants—we get longer repayment times.

To identify individual beneficiaries, we used the beneficiary's SSN when it was available. When the beneficiary's SSN was not available, we developed a replacement unique identifier, first under the assumption that there was only one person with a given name and date of birth, for each claimant SSN; and if the name was missing, then the assumption that each combination of a claimant SSN and the beneficiary identification code variable identifies a unique person. The beneficiary identification code indicates whether the beneficiary is, for example, the claimant's first child, second child, or spouse. This methodology may slightly overstate the total number of beneficiaries in the data, since it will miss cases where the same person is the beneficiary of two different claimants.

In order to count the number of recipients in withholding, voluntary repayment, conditionally written off, and neither paying nor in written off status, we developed categorization rules to resolve ambiguities arising from the small percentage of beneficiaries who had debts in more than one status. Specifically, we considered people to be in withholding status if any of their overpayments indicated that they were in "current pay" status and had a withholding amount. We considered people to be making voluntary remittances if they had no withholding on any overpayment and had a monthly voluntary remittance amount listed on at least one account. We considered beneficiaries to be conditionally written off if all of their overpayments were flagged as conditionally written off. We categorized the remaining beneficiaries as active, but not currently repaying. Throughout this analysis, we use the monthly benefit amount—

i.e., the benefits due before a variety of adjustments—to characterize benefit levels.

We adjusted future payments in the three scenarios with positive inflation by dividing all of the receipts in a given calendar year by $(1+r)^{(t-2015)}$ where r is the inflation rate of .020, .027, or .034 and t is the year. This assumes that all of the year's inflation takes place on January 1, and will tend to overstate inflation early in the year. This stylized assumption means that our COLA plus interest scenario can precisely undo the effects of inflation when, in fact, appropriately set annual COLA and interest charges would typically overcorrect for inflation during some months and under-correct for it during others.

Civil Monetary Penalties and Administrative Sanctions

To determine how SSA imposes penalties and sanctions, we reviewed applicable federal laws, regulations, and guidance. We also reviewed SSA plans for improving its administration of penalties and sanctions, internal studies of its use of sanctions, as well as past OIG reviews of penalties and sanctions. We interviewed officials in SSA headquarters who oversee their use, OIG (which investigates potential fraud), and OIG's Office of Counsel to the Inspector General (OCIG) which has responsibility for imposing penalties and considering whether sanctions may be warranted. We requested available data from SSA on its use and the disposition of penalties and sanctions. However, after discussions with SSA officials regarding the agency's procedures for collecting and tracking penalties and sanctions, we determined that these data were not sufficiently reliable for our use and did not include them in our report.

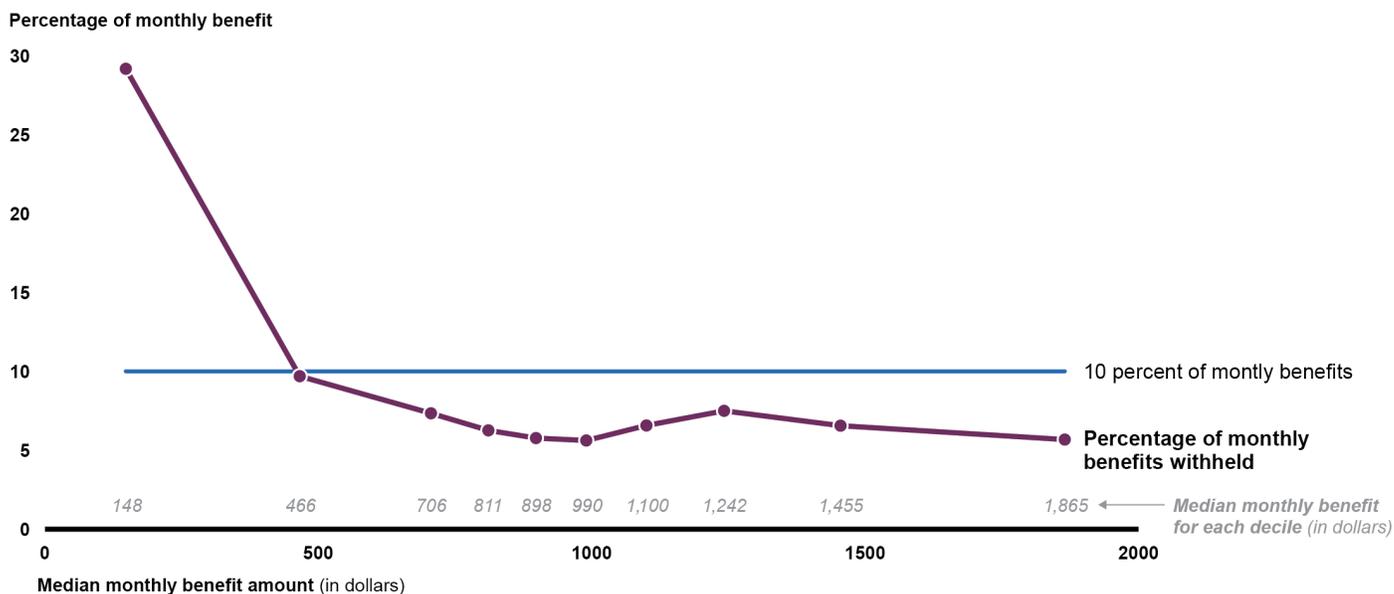
To gain further insight on how sanctions are tracked and imposed, we interviewed regional sanctions coordinators—individuals responsible for reviewing sanctions determinations—in three of SSA's regions: Atlanta, Chicago, and San Francisco. We chose these regions based on variation in terms of sanctions workload and error rates according to past SSA internal evaluations. The views of these officials are not generalizable across all of SSA. We also spoke to officials in SSA's New York regional office, which developed a database for tracking the disposition of sanctions.

Appendix II: Additional Information on DI Overpayments

This appendix provides more information about individuals repaying DI overpayments by having a portion of their monthly benefits withheld—notably, the relationship between their monthly benefit payments and the amount of benefits withheld. All data presented is for outstanding overpayment balances as of September 30, 2015. Throughout this report, the benefit levels we report are SSA’s “monthly benefit amount,” which is the amount due to beneficiaries before withholding or other adjustments.

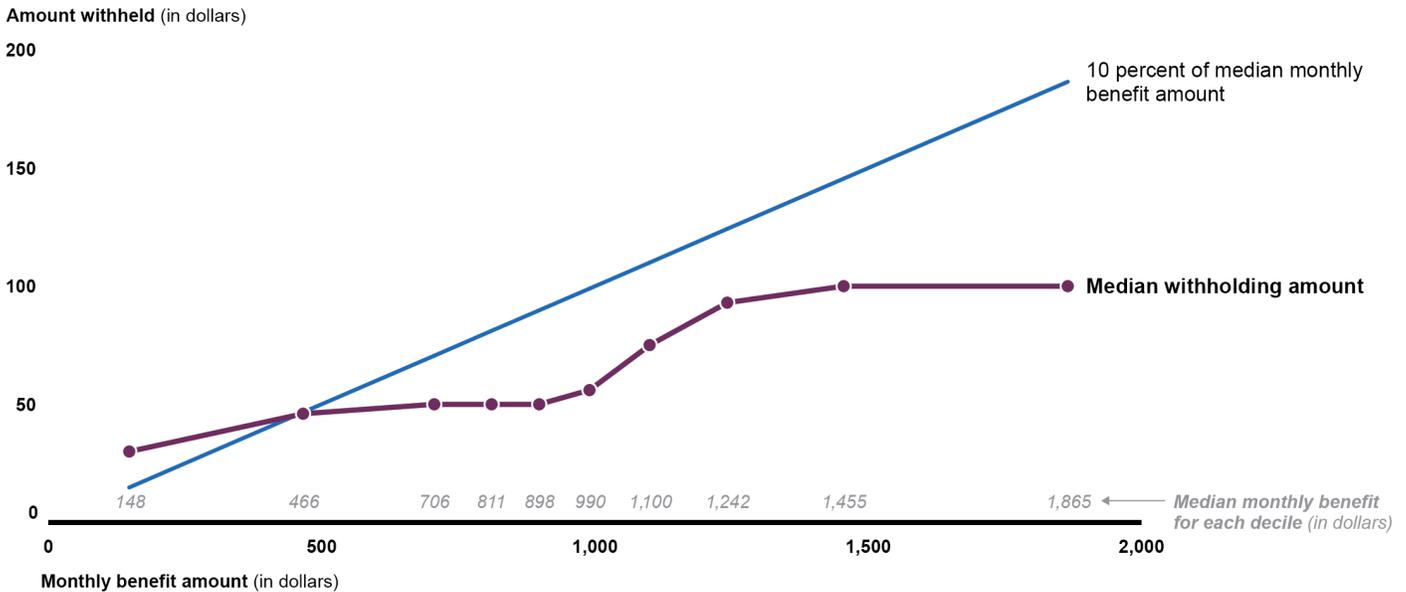
Figures 7 and 8 below break down this population with benefit withholding into 10 equal groups (deciles) according to the amount of their monthly benefits. Figure 7 shows, for each decile, the median percentage of benefits being withheld. Figure 8 shows the median dollars withheld for each decile. When we compared individuals with lower monthly benefit amounts to those receiving larger benefits amounts, we found that those with the smallest benefits had a higher percentage of their benefits withheld to repay overpayments. The figures also show that the majority of individuals with a larger monthly benefit amount have less than 10 percent of their DI benefits withheld. Figure 8 shows that the difference between withholding 10 percent of the median DI benefit and actual median withholding is more than \$86 per month in the top decile, which consists of more than 31,000 beneficiaries.

Figure 7: Comparison of Median Withholding Amounts and Withholding Amounts as a Percentage of Monthly Benefits (for Each Beneficiary Monthly Benefits Decile)



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-16-331

Figure 8: Comparison of Median Withholding Amounts and Median Monthly Benefits (for Each Beneficiary Monthly Benefits Decile)



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-16-331

Tables 2 to 5 below provide additional information on the relationship between withholding and benefit amounts. For each table, we report not only the median (the 50th percentile) of the distribution, which offers a sense of the “typical” outcome, but also:

- the average
- the 25th and 75th percentiles which give a sense of the experience of beneficiaries somewhat below and above the median, respectively;
- the 5th and 95th percentiles to offer a sense of the experiences of people experiencing fairly extreme outcomes;
- the number of beneficiaries from which we computed each number; and
- the standard deviation.

The withholding and repayment time averages are often significantly above the median because these distributions are not symmetric; rather people with the largest withholding levels are much further above the

median than the people with the smallest withholding levels are below the median. For example, table 3 reports that the 95th percentile withholding level for all beneficiaries (\$517) is \$460 higher than the median of \$57, while the 5th percentile (\$10) is \$47 below the median. This asymmetric distribution of withholding levels at higher amounts produces an average of \$133, which is more than twice the median and more than the 75th percentile of the withholding distribution (\$101).

Table 2: Distribution of Monthly Benefit Amounts before Withholding for Individuals Repaying Overpayments through Benefit Withholding

	Benefit category				
	Everyone having benefits withheld	1st Quartile: Monthly benefit amount less than \$706	2nd Quartile: Monthly benefit amount from \$706 but less than \$942	3rd Quartile: Monthly benefit amount from \$942 but less than \$1,243	4th Quartile: Monthly benefits amount \$1,243 and above
Median (50th percentile)	\$942	\$384	\$833	\$1,070	\$1,530
Average	\$974	\$377	\$831	\$1,077	\$1,609
5th percentile	\$148	\$38	\$725	\$954	\$1,264
25th percentile	\$706	\$186	\$776	\$1,003	\$1,362
75th percentile	\$1,242	\$575	\$887	\$1,148	\$1,789
95th percentile	\$1,865	\$684	\$931	\$1,222	\$2,194
Standard Deviation	\$485	\$214	\$65	\$85	\$306
Number of beneficiaries	311,386	77,852	77,899	77,810	77,825

Source: GAO analysis of SSA data. | GAO-16-331

Appendix II: Additional Information on DI Overpayments

Table 3: Distribution of Dollars Withheld per Month for Individuals Repaying Overpayments through Benefit Withholding

	Benefit category				
	Everyone having benefits withheld	1st Quartile: Monthly benefit amount less than \$706	2nd Quartile: Monthly benefit amount from \$706 but less than \$942	3rd Quartile: Monthly benefit amount from \$942 but less than \$1,243	4th Quartile: Monthly benefits amount \$1,243 and above
Median (50th percentile)	\$57	\$43	\$50	\$70	\$100
Average	\$133	\$83	\$107	\$137	\$207
5th percentile	\$10	\$10	\$10	\$10	\$20
25th percentile	\$30	\$20	\$25	\$40	\$50
75th percentile	\$101	\$76	\$100	\$101	\$200
95th percentile	\$517	\$352	\$722	\$717	\$1,263
Standard Deviation	\$246	\$119	\$180	\$229	\$367
Number of beneficiaries	311,386	77,852	77,899	77,810	77,825

Source: GAO analysis of SSA data. | GAO-16-331

Appendix II: Additional Information on DI Overpayments

Table 4: Distribution of the Percent of Monthly Benefits Amount Withheld to Recover Overpayments

	Benefit category				
	Everyone having benefits withheld	1st Quartile: Monthly benefit amount less than \$706	2nd Quartile: Monthly benefit amount from \$706 but less than \$942	3rd Quartile: Monthly benefit amount from \$942 but less than \$1,243	4th Quartile: Monthly benefits amount \$1,243 and above
Median (50th percentile)	8%	10%	6%	6%	6%
Average	18%	32%	13%	13%	13%
5th percentile	1%	3%	1%	1%	1%
25th percentile	4%	7%	3%	4%	3%
75th percentile	13%	42%	11%	10%	11%
95th percentile	100%	100%	100%	67%	100%
Standard Deviation	28%	38%	22%	21%	22%
Number of beneficiaries	311,370	77,844	77,896	77,808	77,822

Source: GAO analysis of SSA data. | GAO-16-331

Note: The total number of observations in this table is lower than in the other appendix tables because we exclude 16 beneficiaries for whom SSA reported a monthly withholding amount greater than their monthly benefit amount.

**Appendix II: Additional Information on DI
Overpayments**

Table 5: Distribution of Time Needed to Complete Repayment through Scheduled Benefit Withholding (in Years)

	Benefit category				
	Everyone having benefits withheld	1st Quartile: Monthly benefit amount less than \$706	2nd Quartile: Monthly benefit amount from \$706 but less than \$942	3rd Quartile: Monthly benefit amount from \$942 but less than \$1,243	4th Quartile: Monthly benefits amount \$1,243 and above
Median	3.4	2.3	3.4	4.8	4.7
Average	9.0	6.4	8.9	10.5	10.3
5th percentile	0.2	0.1	0.2	0.3	0.2
25th percentile	1.3	0.8	1.4	1.6	1.6
75th percentile	13.3	7.7	13.0	16.9	16.3
95th percentile	34.3	30.1	34.3	34.3	34.3
Standard Deviation	11.3	9.7	10.9	12.0	12.0
Number of beneficiaries	311,386	77,852	77,899	77,810	77,825

Source: GAO analysis of SSA data. | GAO-16-331

Note: Figures in this table may be understated because SSA's data system can only capture the portion of repayment plans that occur before 2049.

Appendix III: Comments from the Social Security Administration



SOCIAL SECURITY
Office of the Commissioner

March 28, 2016

Mr. Daniel Bertoni
Education, Workforce,
and Income Security Issues
United States Government Accountability Office
441 G. Street, NW
Washington, DC 20548

Dear Mr. Bertoni:

Please find the revised version of the enclosed subject draft report released to GAO on Friday, March 25, 2016. Thank you for the opportunity to review the draft report, "DISABILITY INSURANCE: SSA Needs to Better Track and Evaluate Options to Recover Debt and Deter Fraud" (GAO-16-331). Please see our enclosed comments.

If you have any questions, please contact me at (410) 965-0520. Your staff may contact Gary S. Hatcher, Senior Advisor for the Audit Liaison Staff, at (410) 965-0680.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Frank Cristaudo'.

Frank Cristaudo
Executive Counselor to the Commissioner

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE DRAFT REPORT, "DISABILITY INSURANCE: SSA NEEDS TO BETTER TRACK AND EVALUATE OPTIONS TO RECOVER DEBT AND DETER FRAUD" (GAO-16-331)

GENERAL COMMENTS

Thank you for the opportunity to review the draft report. We take seriously our stewardship responsibilities to protect the Disability Insurance Trust Fund. We are good stewards of the Old Age, Survivors, and Disability Insurance (OASDI) and Supplemental Security Income (SSI) programs. Curbing improper payments is one objective in our current strategic goal to preserve the public's trust in our programs. We always strive to pay the right amount to the right person at the right time. Our payment accuracy in the OASDI programs is exceptionally high; nearly 99.5 percent of benefits were free from overpayment in fiscal year (FY) 2014. In SSI, which is more difficult to administer due to complex policies surrounding income and resource limits, 93 percent of our payments were free from overpayment in FY 2014.¹ Within our existing resources, we strive to balance our public service responsibilities and our other stewardship obligations. For FY 2016, we are covering our fixed costs with significant reductions in administrative spending related to information technology, hiring, and other spending including overtime. Given our resource limitations, we must strive to balance our public service and stewardship responsibilities.

In addition, we have a comprehensive debt collection program. We collected \$3.363 billion in OASDI and SSI benefit overpayments in FY 2015 at an administrative cost of \$0.07 for every dollar collected. We collected \$16.60 billion over a 5-year period (FYs 2011-2015). Since 2004, our cumulative recoveries are \$34.34 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 the external collection techniques authorized by the Debt Collection Improvement Act of 1996 for OASDI debts and the Foster Care Independence Act of 1999 for SSI debts. From 1992 through September 2015, our external collection techniques have yielded \$5.591 billion in benefit overpayment recovery.

Continued improvements in other aspects of our debt collection program are underway. The report accurately acknowledges our efforts in FY 2016 to begin the planning and analysis for our Overpayment Redesign Initiative. In the future, we will assess the merit of implementing other debt collection techniques as authorized by law.

We do agree there are opportunities to pursue other debt collection proposals, some of which are suggested in this report and some that have already been legislatively mandated. However, we have some overarching concerns with the content of the report. The findings confuse two distinct issues – recovering overpayment debt and deterring fraud with penalties and sanctions. Overpayments are not necessarily the result of fraud. Funds we recover through debt collection do not supplement or reimburse the administrative costs of recovering those funds. In addition, some of the recommended improvements proposed by GAO, like supervisory oversight for overpayment

¹ Our [FY 2014 Annual Financial Report](#) contains a detailed report on improper payments, which discusses our payment accuracy performance.

repayment plans, would place a substantial financial and administrative burden on us to recover debt, while diverting our limited resources from other high-priority workloads.

We believe that the report title is misleading. The phrase “deter fraud” in the report title is not appropriate given the content of the report. Civil monetary penalties (CMP) and administrative sanctions are not findings of fraud. CMPs are based on findings of false or misleading statements, misuse of benefits by representative payees, or knowing omission or withholding disclosure of material fact to us. Administrative sanctions involve individuals who knowingly provide false, misleading information to us, or omit information material to the payment of benefits. CMPs and administrative sanctions are not findings of fraud. Rather based on their investigations of allegations, the Office of the Inspector General (OIG) decides to impose a CMP, or may return a case to the Social Security Administration (SSA) for our consideration that administrative sanctions may be suitable. We use these tools appropriately to administer our programs.

Following are our responses to the report’s recommendations. We also provided a number of clarifying technical comments at the staff level.

RECOMMENDATION RESPONSES

Recommendation 1

Clarify its policy for assessing the reasonableness of expenses used in determining beneficiaries' repayment amounts, to help ensure that withholding plans are consistently established across the agency and accurately reflect individuals' ability to pay.

Response

We agree. We have already taken numerous actions to clarify our policy regarding overpayments and waivers, including the production of an 8-part video training series for our employees that aired in summer of 2015. We continue to assess and make improvements in our efforts to ensure consistency and accurate application of overpayment, waiver, and adjustment of recovery amount policy for our technicians.

Recommendation 2

Improve oversight of DI benefit withholding agreements to ensure that they are completed appropriately. This could include requiring supervisory review of repayment plans or sampling plans as part of a quality control process and requiring that supporting documentation for all withholding plans be retained to enable the agency to perform such oversight.

Response

We agree. We will explore options for ensuring that we appropriately complete benefit-withholding agreements. However, we do not agree with requiring supervisory review of repayment plans.

Recommendation 3

Explore the feasibility of using additional methods to independently verify financial information provided by beneficiaries to ensure that complete and reliable information is used when determining repayment amounts.

Response

We agree. We will explore the feasibility of using additional methods to independently verify financial information provided by beneficiaries when determining repayment amounts.

Recommendation 4

Adjust the minimum withholding rate to 10 percent of monthly DI benefits to allow quicker recovery of debt.

Response

We agree. The fiscal year (FY) 2017 President's budget submission contains a legislative proposal to establish a minimum repayment amount of 10 percent of a beneficiary's monthly benefit for Title II overpayments. The 5-year estimated program savings is \$213 million.

Recommendation 5

Consider adjusting monthly withholding amounts according to cost of living adjustments or charging interest on debts being collected by withholding benefits. Should SSA determine that it is necessary to do so, it could pursue legislative authority to use recovery tools that it is currently unable to use.

Response

We disagree. We do not believe that this recommendation will have a significant impact on recovering debt, particularly in comparison to the proposal to adjust the minimum withholding rate to 10 percent of monthly benefits. We do not consider debt delinquent when recovering via benefit withholding.

For delinquent debts, our debt collection strategy is to implement collection tools that yield the most collections (i.e. Tax Refund Offset, Administrative Offset, and Administrative Wage Garnishment). While we have not performed a cost benefit analysis to implement charging interest or indexing delinquent debts for inflation, we have researched the changes necessary to implement charging interest, which is extensive since the impact is on multiple systems that affect our overpayment business processes. We would also have to implement procedural changes, which will require extensive training to our employees. As noted above, given these resource limitations we must strive to balance our public service and stewardship responsibilities.

Recommendation 6

Pursue additional debt collection tools for collecting delinquent penalties. This includes taking steps to implement tools within its existing authority and exploring the use of those not within its authority, and seeking legislative authority if necessary.

Response

We agree. We have drafted regulations to use existing external debt collection tools for CMPs. In addition, we are also developing a legislative proposal to allow for the use of more debt tools such as Federal salary offset, credit bureau reporting, etc., for CMPs. We have started planning and analyzing for a multi-activity multi-year administrative sanctions project.

Recommendation 7

Take steps to collect complete, accurate, and timely data on, and thereby improve its ability to track civil monetary penalties and their dispositions.

Response

We agree. We are taking action to improve our ability to track CMPs and administrative sanctions. We are developing new workload tracking tools for both. These tools will provide consistent and accurate management information (MI) for administrative sanction cases. We expect to implement both tools during FY 2016, with the first full year of MI available in FY 2017.

In addition, our overpayment redesign efforts will improve our ability to have complete, accurate, and timely data for CMPs. This is a multi-year project and in FY 2016, we are in the planning and analysis stage.

Recommendation 8

Take steps to collect complete, accurate, and timely data on, and thereby improve its ability to track administrative sanctions and their disposition.

Response

We agree. See response to recommendation seven above.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

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Staff Acknowledgments

In addition to the contact named above, Michele Grgich (Assistant Director), Daniel R. Concepcion (Analyst-in-Charge), Martin Scire, and Robert Letzler made key contributions to this report. Additional contributors include: Susan Aschoff, James Bennett, Kathleen Donovan, Alex Galuten, Arthur Merriam, Monica Savoy, and Almeta Spencer.

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Disability Insurance: SSA Could Do More to Prevent Overpayments or Incorrect Waivers to Beneficiaries. [GAO-16-34](#). Washington, D.C.: October 29, 2015.

Disability Insurance: Preliminary Observations on Overpayments and Beneficiary Work Reporting. [GAO-15-673T](#). Washington, D.C.: June 16, 2015.

Supplemental Security Income: SSA Has Taken Steps to Prevent and Detect Overpayments, but Additional Actions Could be Taken to Improve Oversight. [GAO-13-109](#). Washington, D.C.: December 14, 2012.

Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments. [GAO-11-724](#). Washington, D.C.: July 27, 2011.

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