

GAO

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

July 2011

DISABILITY INSURANCE

SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments

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Highlights of [GAO-11-724](#), a report to the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

The Social Security Administration's (SSA) Disability Insurance (DI) program paid almost \$123 billion in benefits in fiscal year 2010 to more than 10 million workers and dependents. The program is poised to grow further as the baby boom generation ages. GAO examined (1) what is known about the extent to which SSA makes overpayments to, and recovers overpayments from, DI beneficiaries who exceed program earnings guidelines, and (2) potential DI program vulnerabilities that may contribute to overpayments to beneficiaries who have returned to work. To answer these questions, GAO reviewed work continuing disability review (work CDR) policies and procedures, interviewed SSA headquarters and processing center officials, visited 4 of 8 processing centers, and reviewed a random nongeneralizable sample of 60 CDR case files across those 4 centers (15 from each).

What GAO Recommends

GAO recommends that SSA develop and adopt agencywide performance goals for recovering DI overpayments and processing work CDRs, require supervisory review of certain repayment plans, address a system limitation which precludes an accurate record of debt owed SSA, and explore options for obtaining more timely earnings information. SSA agreed with four of five recommendations. It disagreed with the need for supervisory review of repayment plans while acknowledging the need for more related guidance to its staff.

View [GAO-11-724](#) or key components. For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

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SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments

What GAO Found

Disability Insurance overpayments detected by SSA increased from about \$860 million in fiscal year 2001 to about \$1.4 billion in fiscal year 2010. SSA estimates about 72 percent of all projected DI overpayments were work-related during fiscal years 2005 through 2009. While the agency collected, or recovered, \$839 million in overpayments in fiscal year 2010, monies still owed by beneficiaries grew by \$225 million that same year, and cumulative DI overpayment debt reached \$5.4 billion. SSA does not have agencywide performance goals for debt collection—for example, the percent of outstanding debt collected annually. And while SSA has a policy for full repayment within 3 years, 19 of the 60 work CDR cases GAO reviewed had repayment plans exceeding 3 years. SSA officials said that lengthy repayment plans are often the result of an individual's limited income, but SSA does not review or approve repayment plans which exceed agency policy. During the course of the review, GAO also found a limitation in SSA's Recovery of Overpayments, Accounting and Reporting (ROAR) system. Used to track overpayments and collections, ROAR does not reflect debt due SSA past year 2049, so the total balance due the program is unknown and likely larger than the agency is reporting. SSA officials acknowledged this issue, but are unable to determine the extent of the problem at this time. They told GAO they have a work group which will recommend action to correct the problem. But until this issue is addressed, SSA officials said that the agency can only track and report on overpayments scheduled to be repaid through 2049. The amount owed after that year is unreflected in current totals even as it annually increases. SSA officials reported that the agency has ongoing initiatives to enhance debt collection.

SSA has numerous policies and processes in place to perform work CDRs, though two key weaknesses have hindered SSA's ability to identify and review beneficiary earnings which affect eligibility for DI benefits. First, SSA lacks timely earnings data on beneficiaries who return to work. In 49 of the 60 CDR cases GAO reviewed, there was no evidence in the file that the beneficiary reported his or her earnings, as required by program guidelines. To identify unreported work and earnings, SSA primarily relies on data matching with the Internal Revenue Service (IRS), then sends these matches to staff for a work CDR. However, the IRS data may be more than a year old when received by SSA, and SSA says it is not cost-effective to gain access to and use other sources of earnings information, such as the National Directory of New Hires database. In addition, GAO found that cases may wait up to 15 additional months before SSA staff begin work on the CDRs. Second, SSA lacks formal, agencywide performance goals for work CDRs. While it targets 270 days to complete a case, actual processing time ranged from 82 to 992 days (with a median of 396 days) in the 60 cases GAO reviewed, and overpayments which accrued as a result topped \$1 million total. SSA officials reported several initiatives to more effectively prioritize work CDR cases—for example, those with the largest potential overpayment amounts—but these efforts are in the early stages, and GAO could not yet assess their effectiveness as part of this review.

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Abbreviations

AERO	Automated Earnings Reappraisal Operations
DI	Disability Insurance
enforcement operation	Continuing Disability Review Enforcement Operation
EPE	extended period of eligibility
IRS	Internal Revenue Service
MBR	Master Beneficiary Record
NDNH	National Directory of New Hires
OMB	Office of Management and Budget
POMS	Program Operations Manual System
ROAR	Recovery of Overpayments, Accounting and Reporting System
SSA	Social Security Administration
SGA	substantial gainful activity
SSI	Supplemental Security Income
Treasury	Department of the Treasury
TWP	trial work period
CDR	continuing disability review

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G A O

Accountability * Integrity * Reliability

United States Government Accountability Office
Washington, DC 20548

July 27, 2011

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

The Social Security Administration's (SSA) Disability Insurance (DI) program is the nation's largest cash assistance program for workers with disabilities. The program provides cash benefits to workers who are blind or disabled and contributed to the DI Trust Fund as workers. In fiscal year 2010, the DI program paid about \$123 billion in benefits to more than 10 million workers with disabilities and their dependents. The program has grown substantially in recent years and is poised to grow further as the baby-boom generation ages. Most importantly, the long-term solvency of the DI Trust Fund is currently jeopardized, and the fund is projected to be exhausted in 2018.¹

SSA guidelines allow DI beneficiaries to work and earn up to \$1,000 per month for a limited period of time without affecting their benefits—a level of earnings called substantial gainful activity (SGA).² After completing a 9-month “trial work period,” beneficiaries who earn more than SGA are generally no longer entitled to benefits, and may be overpaid if SSA does not stop their benefits in a timely manner.³ To verify an individual's ongoing eligibility for DI benefits, SSA is required to periodically evaluate the beneficiary's impairments to determine whether the beneficiary

¹See SSA and Medicare Boards of Trustees, *Status of the Social Security and Medicare Programs: A Summary of the 2010 Annual Reports*, <http://www.socialsecurity.gov/oact/trsum/index.html> (accessed October 2010).

²20 C.F.R. §§ 404.1571 and 404.1574(b)(2) (2011). The SGA level was \$1,000 per month in 2010 for beneficiaries with disabilities and \$1,640 per month for blind beneficiaries. While the SGA amount for statutorily blind individuals has remained the same for fiscal years 2009 through 2011, the SGA amount for non-blind individuals in 2009 was \$980, and for 2010 and 2011 \$1,000, respectively. See 75 Fed.Reg. 65696 (October 26, 2010); 74 Fed.Reg. 55614 (October 28, 2009); and 73 Fed.Reg. 54651 (October 30, 2008).

³20 C.F.R. § 404.1592 (2011).

remains entitled to disability benefits. This evaluation process is called a continuing disability review (CDR).⁴ If the review establishes that the beneficiary has substantial earnings, SSA will investigate the work activity to determine if the disability continues or ceases. The reviews of beneficiary earnings are referred to as work CDRs. These reviews typically involve SSA staff querying centralized agency data systems to identify earnings, sending forms to a beneficiary requesting information about work activity and earnings that may affect eligibility for DI benefits, contacting employers to verify earnings amounts, and assessing other factors such as employer subsidies and impairment-related work expenses. Most work CDRs are generated by SSA's Continuing Disability Review Enforcement Operation (enforcement operation).⁵ Enforcement operation staff use periodic computer matches between SSA's administrative data and Internal Revenue Service (IRS) earnings data to identify earnings, then send these cases to one of eight regional processing centers for review by SSA staff.

If SSA does not obtain timely and accurate earnings information, or fails to act expeditiously to cease benefits to those no longer eligible, overpayments can accrue over several years and become very large—adding up to tens of thousands of dollars. Overpayments adversely affect program integrity, but can also create economic hardship for beneficiaries who have to repay them once the overpayment is detected.⁶ In addition, the prospect of having to repay an overpayment may be a disincentive for some beneficiaries to return to work, which runs counter to SSA's goal of helping beneficiaries become self-sufficient.⁷

⁴20 C.F.R. § 404.1589 - 404.1590 (2011).

⁵Work CDRs also can originate from other sources, including work reports from beneficiaries or third parties, such as state vocational rehabilitation agencies. SSA also conducts medical CDRs, which focus on beneficiaries' medical improvements, but may also identify earnings. For purposes of this report, when we refer to work CDRs, we are referring to work CDRs performed by SSA's enforcement operation.

⁶42 U.S.C. § 404(a).

⁷SSA administers the Ticket to Work program, to provide eligible DI beneficiaries with employment services, vocational rehabilitation services, or other support services to help them obtain and retain employment and reduce their dependence on benefits. See GAO, *Ticket to Work Program: Participation Has Increased, but Additional Oversight Needed*, [GAO-11-324](#) (Washington, D.C.: May 6, 2011).

Given the importance of identifying and collecting overpayments to DI beneficiaries with earnings in a timely manner, the Chairman and Ranking Member of the Subcommittee on Social Security, House Committee on Ways and Means, asked us to review SSA's enforcement work CDRs. We answered the following questions: (1) What is known about the extent to which SSA makes work-related overpayments to, and recovers overpayments from, DI beneficiaries? (2) What are SSA's policies and procedures for performing enforcement work CDRs, including potential DI program vulnerabilities that may contribute to work-related overpayments?

In conducting our review we analyzed DI overpayment debt collection and enforcement work CDR performance data, policies and procedures for conducting work CDRs, prior reports by SSA and its Office of the Inspector General, external research studies, relevant federal laws and regulations, and our prior reviews of the program. In addition, we interviewed SSA officials responsible for DI overpayment debt collection policy and operations, as well as enforcement work CDR processing management, policy, and oversight. We randomly selected 15 cases from each of four processing centers we visited (Baltimore, Maryland; Chicago, Illinois; Kansas City, Missouri; and Queens, New York), which were closed in fiscal year 2009 with an overpayment. Together, the selected processing centers received almost 80 percent of SSA's enforcement alerts referred for work CDRs in fiscal year 2009. We reviewed each of these 60 randomly selected cases to determine whether the case had been administered in accordance with SSA program guidelines for processing of work CDRs. We used random selection procedures to help ensure that we drew a wide range of cases for our review; however, the results from our randomly selected sample of cases cannot be generalized to the population of all work CDR cases due to our limited sample sizes. Finally, we conducted in-depth interviews with SSA management and line staff at headquarters and four of SSA's eight processing centers. In our site visits and interviews, we examined work CDR and overpayment debt recovery procedures; elicited management and staff views on the effectiveness of the work CDR processes in detecting and preventing earnings-related overpayments; and discussed the processing of selected work CDR cases, including debt recovery cases, and potential improvements to existing policies, processes, and systems. We assessed the reliability of all databases used in our review, primarily SSA's Disability Control File, Master Beneficiary Record (MBR), and Recovery of Overpayment, Accounting, and Reporting (ROAR) system. While we identified a ROAR system limitation that is discussed in

the report, we found the databases to be sufficiently reliable for the purposes of this report.

We conducted this performance audit from March 2010 to July 2011 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

The DI program was established in 1956 to provide monthly cash benefits to individuals unable to work because of severe long-term disability.⁸ In fiscal year 2010, the program's average monthly benefit was about \$922.⁹ To be eligible for benefits, workers with disabilities must have a specified number of recent work credits under Social Security when they acquired a disability.¹⁰ Individuals may also be able to qualify based on the work record of a deceased or retired parent with a disability or a deceased spouse.¹¹ Benefits are financed by payroll taxes paid into the DI Trust Fund by covered workers and their employers and are based on a worker's earnings history. To meet the definition of disability under the DI program, an individual must have a medically determinable physical or mental impairment that (1) has lasted or is expected to last at least 1 year or to result in death and (2) prevents the individual from engaging in SGA.¹² Individuals are engaged in SGA if they have earnings that average more than \$1,000 per month in calendar year 2010, after applying any work incentives.¹³ Program guidelines direct DI beneficiaries to report

⁸Social Security Amendments of 1956, Pub. L. No. 84-880, § 103, 70 Stat. 807, 815-24.

⁹Average benefit amount to workers with disabilities, their spouses, and dependents, as of the end of September 2010.

¹⁰42 U.S.C. § 423(c).

¹¹42 U.S.C. § 402.

¹²42 U.S.C. § 423(d). A blind individual must be prevented by blindness from engaging in SGA requiring skills or abilities like those previously engaged in regularly for a substantial period of time.

¹³SGA for blind beneficiaries was \$1,640 per month in 2010.

their earnings to SSA in a timely manner to ensure they are still eligible for benefits and do not incur an overpayment.

SSA has several programs that are designed to assist beneficiaries in returning to work. For example, the Ticket to Work and Work Incentives Improvement Act of 1999¹⁴ provided for the establishment of the Ticket to Work and Self-Sufficiency Program to provide eligible DI and Supplemental Security Income (SSI) beneficiaries with employment services, vocational rehabilitation services, or other support services to help them obtain and retain employment and reduce their dependency on benefits. SSA provides each eligible beneficiary with a ticket to obtain services from SSA-approved public or private providers, referred to as employment networks, or from traditional state vocational rehabilitation agencies.¹⁵

SSA conducts work CDRs to determine if beneficiaries are still eligible or are working above the SGA level.¹⁶ Work CDRs are event-driven and initiated when there is an indication of work activity. While work CDRs can be prompted by several events, most are generated by SSA's enforcement operation. This process involves periodic data matches between SSA's MBR database and IRS earnings data. The enforcement operation generates alerts for cases that exceed specified earnings thresholds,¹⁷ which are then forwarded to one of eight processing centers

¹⁴Pub. L. No. 106-170, § 101, 113 Stat. 1860, 1863-73 (codified as amended at 42 U.S.C. § 1320b-19).

¹⁵Administered by the Department of Education since 1973, the Vocational Rehabilitation program provides funds to states to offer employment services ranging from treatment of impairments to job counseling and placement.

¹⁶20 C.F.R. § 404.1589 (2011). We use the term "work CDRs" to describe "full" work CDRs in which a case is fully developed and staff fill out specific forms to receive work credit for completing a work CDR, as well as instances in which SSA staff perform limited development of beneficiary earnings because they determine that a full work CDR is not necessary (an activity that SSA refers to as a "work CDR action"). SSA also conducts medical CDRs to periodically assess beneficiaries' continuing medical eligibility for benefits.

¹⁷SSA generally uses six times the monthly SGA amount, or \$6,000 in 2010, as the annual earnings cutoff. Beneficiaries whose annual earnings are \$6,000 or less are likely to keep their DI benefits because their monthly earnings are expected to be below program earning limits.

for additional development by staff.¹⁸ In fiscal year 2010, the enforcement operation identified approximately 2 million records of which more than 531,000 were sent to SSA's processing centers and field offices for review.¹⁹ Appendix I provides detailed information on the results of the enforcement operation for fiscal years 2008 to 2010, which used IRS earnings data from 2007 to 2009 (enforcement matches are typically conducted using the prior year's earnings data).

Work CDRs can also be triggered by other events, such as beneficiaries reporting their earnings to SSA. For example, SSA requires beneficiaries to undergo periodic medical reviews called medical continuing disability reviews, or medical CDRs, to assess whether they continue to have a disabling impairment.²⁰ During such reviews, the disability examiner sometimes discovers evidence that a beneficiary is working and forwards the case to an SSA field office or processing center for earnings or work development. Third-party reports from state vocational rehabilitation agencies, federal agencies, or anonymous individuals may also trigger a work CDR. Finally, some DI beneficiaries report their earnings to SSA as directed under program guidelines by visiting an SSA field office or calling the agency's 800 number.

While most work CDRs are initially sent to processing centers as a result of action by SSA's enforcement operation, some of these cases are later referred to one of SSA's more than 1,300 field offices. Field offices can be asked to assist processing centers in the development of cases when obtaining local information about beneficiaries or their employers would expedite case processing. Field offices also tend to be the focal points for work CDRs generated by medical CDRs, third-party reporting, and beneficiary self-reporting. Work CDRs entail processes that can be both labor-intensive and time-consuming. For each case, SSA staff must

¹⁸About half of the cases are sent to the processing center in SSA's Office of Disability Operations in Baltimore, Maryland. The office is responsible for handling beneficiaries who are less than 54 years of age and live in the United States. The remaining cases are sent to one of the remaining seven processing centers.

¹⁹The remaining records did not meet SSA's criteria for conducting an enforcement work CDR.

²⁰20 C.F.R. § 404.1589 (2011). SSA contracts with state Disability Determination Services that are responsible for assessing whether an individual has a disability (a medical CDR).

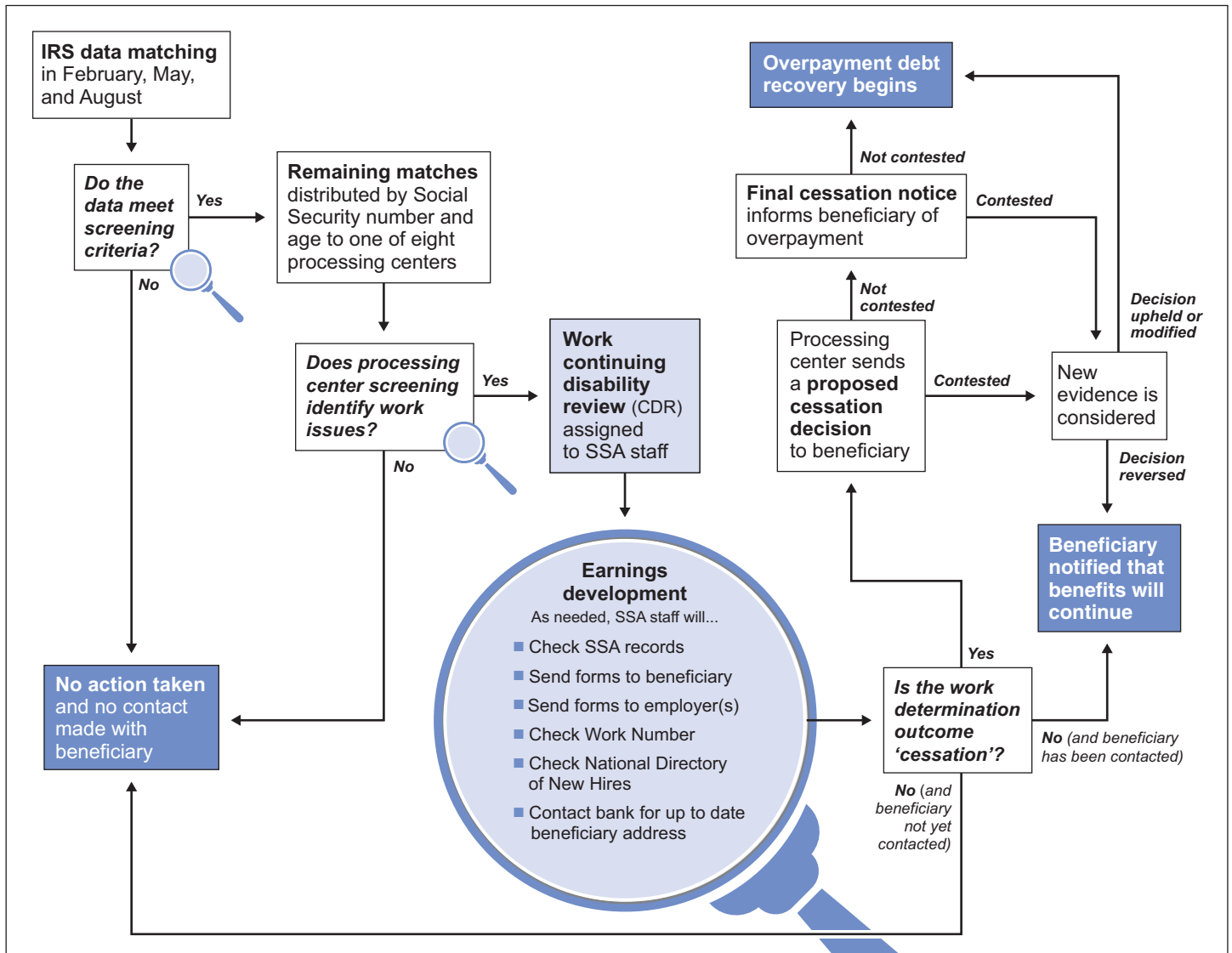
review electronic case files in SSA's eWork²¹ and associated data systems, conduct interviews, and contact beneficiaries and their employers to verify earnings and any applicable work incentives, such as subsidies or impairment-related work expenses.²² After the initial review of cases indicating a cessation of benefits, a "disability processing specialist" or "disability examiner" determines whether benefits should be discontinued and an overpayment assessed.²³ (Fig. 1 provides an overview of the work CDR process.)

²¹In 2004, SSA implemented the eWork system, which is the primary system for processing work CDR cases in headquarters and field locations.

²²SSA guidelines allow DI beneficiaries to work for a limited time without affecting their benefits. The 9-month trial work period (TWP) allows beneficiaries to test their ability to work. SSA pays benefits during this period, no matter how high the earnings. After completing the TWP, the extended period of eligibility (EPE) begins. During the EPE, beneficiaries can receive benefits for any months their earnings are below a level of earnings called SGA. Generally, SSA considers earnings of more than \$1,000 a month (\$1,640 a month for blind beneficiaries) in 2011 to be SGA. SSA pays benefits to beneficiaries for the first month of SGA in the EPE and the next 2 months, and any month in which earnings are below SGA during the first 36 months of the EPE, the re-entitlement period. Eligibility for benefits will not terminate until the beneficiary has earnings above SGA after the 36-month re-entitlement period of the EPE.

²³"Earnings reviewers" in the processing centers are generally responsible for initial analysis of a beneficiary's earnings; however, only disability processing specialists have the authority to cease benefits. In SSA's field offices, the claims representatives are responsible for the duties performed by both the disability processing specialist and the earnings reviewer.

Figure 1: SSA's Enforcement Work CDR Process



Source: GAO analysis of SSA procedural guidance.

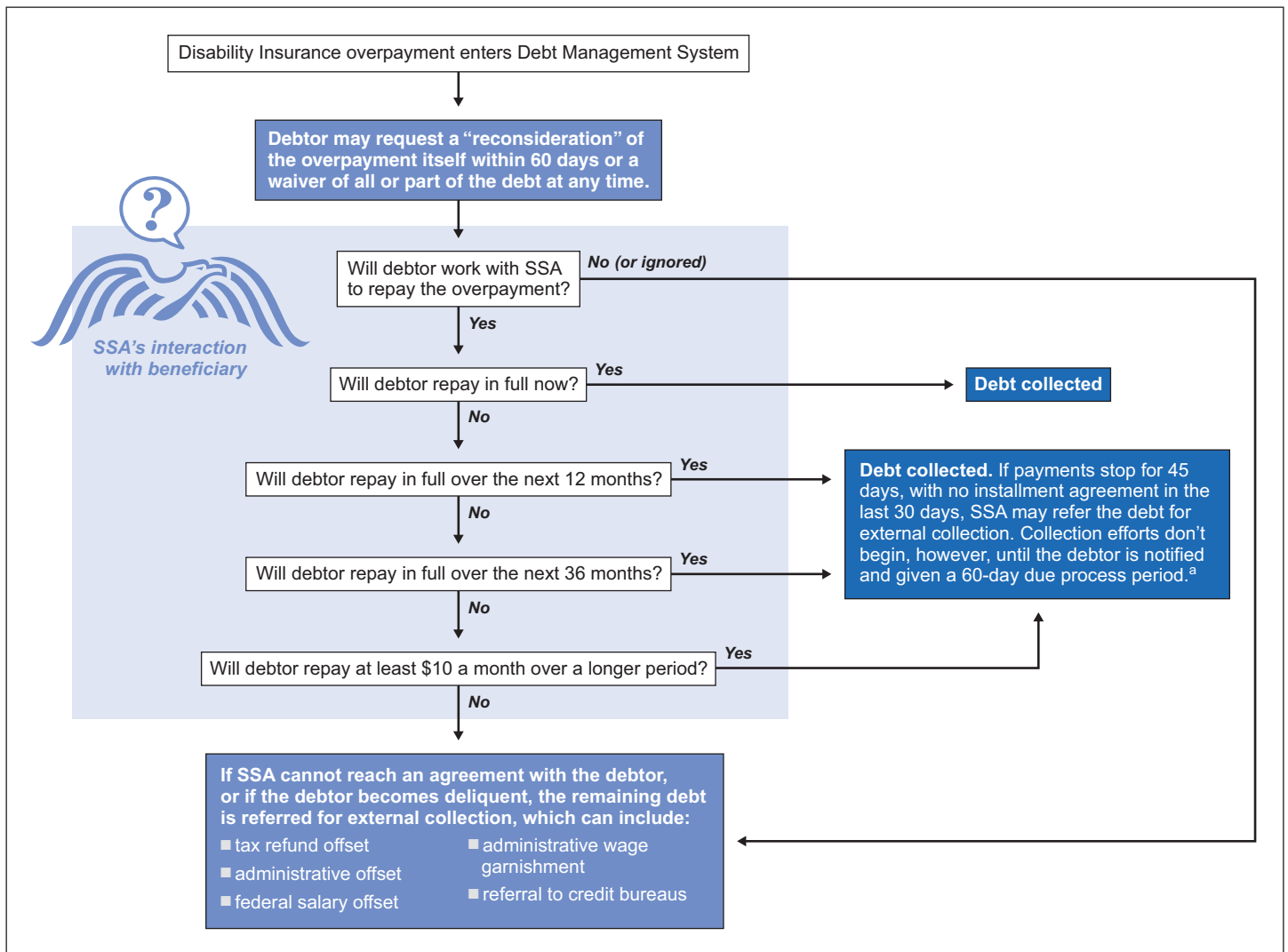
When a DI work-related overpayment is identified, the beneficiary is notified of the overpayment and may request reconsideration or waiver of that overpayment.²⁴ SSA may grant a waiver request if the agency finds the beneficiary was not at fault and recovery or adjustment would either defeat the purpose of the program or be against equity and good conscience, as defined by SSA.²⁵ If SSA denies a reconsideration or waiver request, full repayment is requested. If the beneficiary is receiving DI or certain other SSA benefits, SSA may withhold partial payment of these benefits to recover the debt.²⁶ However, if no SSA benefits are being received, or if the beneficiary asserts that the proposed withholding amount is too large, the agency generally requests repayment over 12 to 36 months. SSA policy requires a minimum monthly payment of \$10 dollars. SSA may also attempt to recover payments due from the individual's estate or subsequent survivor's benefits. (Fig. 2 provides an overview of SSA's debt recovery system.) The agency uses the ROAR system to track DI overpayments and collections.

²⁴A beneficiary requests reconsideration when he or she disputes the occurrence of the overpayment itself, 20 C.F.R. § 404.907 (2011), and requests a waiver when asserting he or she is both not responsible for the overpayment and incapable of repaying the debt, 20 C.F.R. § 404.506 (2011). A waiver permanently terminates collection of a debt and removes the debt from SSA's balance sheet.

²⁵20 C.F.R. § 404.509 (2011).

²⁶20 C.F.R. § 404.530 (2011).

Figure 2: SSA's Debt Recovery Process



Source: GAO analysis of SSA policies.

When a debtor is no longer receiving benefits, SSA can also recover debt through several external collection tools. When a beneficiary is not repaying as agreed in the repayment plan, SSA terminates its collection activity and, after a due process period, the debt is referred for external collection.

External debt collection tools include

- tax refund offset, which withholds or reduces federal tax refunds;
- federal salary offset, which withholds or reduces wages and payments to a federal employee;
- administrative offset (against other than SSA benefits), which withholds or reduces federal payments other than tax refunds or salary;
- administrative wage garnishment, which garnishes²⁷ wages and payments paid by private employers or state and local governments; and
- credit bureau referral, which refers delinquent accounts to credit bureaus.²⁸

Once a debt is referred to external collection, the debtor remains subject to offsets until the debt is repaid in full or other resolution of the case.

²⁷Garnishment is a process whereby a debtor's property (in this case, wages) is turned over to the debtor's creditor. In using administrative wage garnishment, SSA orders an employer to withhold amounts each payday from an employee who owes a debt to the agency, and the employer remits those amounts to SSA.

²⁸Credit bureau referral does not directly result in increased collections, but acts as a disincentive to individuals who decline to establish a repayment plan with SSA. The agency sends out notices to individuals indicating that a failure to establish a repayment plan will result in the referral of the debt information to credit bureaus. 20 C.F.R. § 422.306(b) (2011). A poor credit score from a credit bureau can result in greater difficulty in borrowing money on favorable terms and other negative consequences for the debtor.

Most DI Overpayments Are Work-Related, and Their Recovery Can Take Decades

Nearly Three-Quarters of All DI Overpayments Are to Beneficiaries Who Have Returned to Work

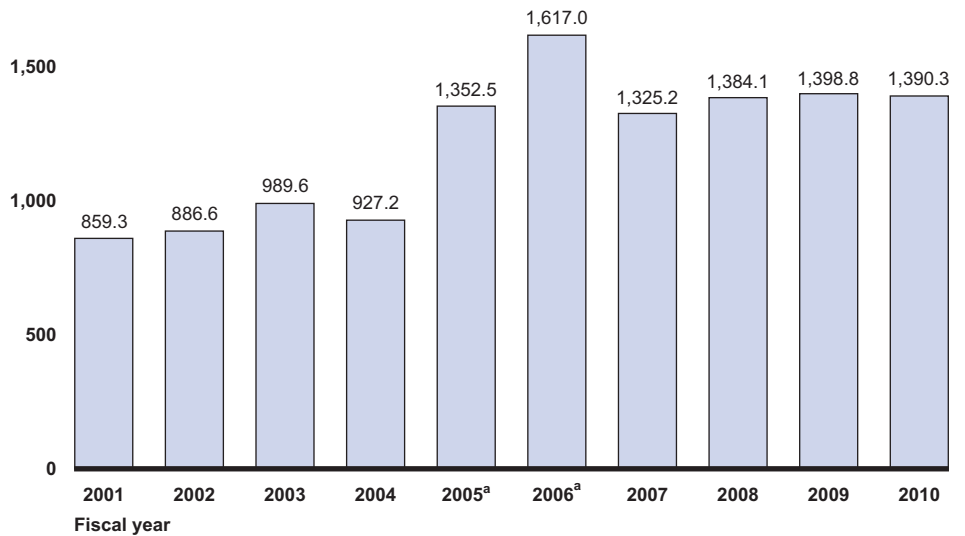
Medical and work-related overpayments in the DI program detected by SSA grew from about \$860 million in fiscal year 2001 to about \$1.4 billion in fiscal year 2010,²⁹ and though the true extent of overpayments due to earnings is currently unknown, our review suggests that most of them are related to beneficiaries who work above SGA while receiving benefits. (Fig. 3 shows the increase in overpayments detected by SSA in recent years.) SSA officials estimate that from fiscal years 2005 through 2009, about 72 percent³⁰ of all projected DI overpayments were work-related, meaning the overpayments were to beneficiaries who returned to work and were no longer eligible. This figure is higher than cited in past years by SSA. SSA officials attribute the increase in the percentage of overpayments that are work-related during this period to improved detection by its enforcement operation, and to changes in how the agency estimates the overpayment numbers. Agency officials also explained that approximately half of the increase in overpayment dollars during this period may be due to the increase in DI program benefit levels.

²⁹DI benefits paid by the program increased from about \$58 billion to nearly \$123 billion from fiscal year 2001 through fiscal year 2010. Reported overpayments do not include amounts removed from the record due to systems limitations, discussed later in this report.

³⁰Percentage applies to projected overpayment dollars, not incidents of overpayments. The Office of Quality Performance reviews a sample of work CDR cases each year to project total DI overpayments for the year as well as the prevalence of types of errors resulting in those overpayments. GAO previously reported that the estimated share of work-related, or SGA-related, overpayments between 1999 and 2003 was about 31 percent based on available data from SSA at that time. GAO, *Disability Insurance: SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments*, [GAO-04-929](#) (Washington, D.C.: Sept. 10, 2004).

Figure 3: DI Overpayment Debt Annually Detected by SSA, Fiscal Years 2001-2010

Debt (in millions of dollars)
2,000



Source: SSA.

Notes: The DI overpayment debt for fiscal years 2001-2010 is understated in this figure due to a ROAR system limitation. SSA officials are aware of the system limitation and are working to address the issue.

Debt figures are not adjusted for inflation.

^aSSA officials attributed the jump in overpayment detections in fiscal years 2005 and 2006 to the agency's implementation of eWork in 2004. The eWork system is an automated program used to develop, control, and adjudicate work CDRs. According to SSA officials, eWork helped the agency to process work CDRs faster and more efficiently, resulting in an increase in the number of work CDRs processed and an increase in the level of overpayments detected in those years.

We found that detected overpayments could be even larger than SSA's data reflect because some overpayments have been accidentally removed from SSA records due to manual processing errors.³¹ In our review of 60 work CDR cases, we found two manual processing errors which resulted in overpayments totaling \$53,097 being removed from agency records. In one case, staff entered a code to correct an

³¹This could affect all overpayment records, not just work-related overpayment records.

overpayment amount but instead deleted the overpayment entirely. As a result of our detection, SSA officials reentered the overpayment debts into the system and indicated they would proceed with debtor notification and recovery. Because the results of our case review are not generalizable, the incidence of such occurrences is currently unknown and thus the potential impact on total DI overpayments owed by ineligible beneficiaries is not clear. SSA officials said that they do not have a mechanism for detecting, or a process of supervisory review to catch, such processing errors.

In the 60 cases we reviewed, we also found that individual overpayment amounts varied widely, ranging from \$1,126 to \$53,436, with a median of \$16,917 per individual. The size of individual overpayments can also be affected by SSA's Automated Earnings Reappraisal Operations (AERO), which is a computer program that periodically screens a beneficiary's earnings record for changes, and uses that information to adjust, as needed, the monthly benefit amount.³² Of the 60 cases, we found 54 in which AERO increases in benefit amount occurred even while SSA conducted a work CDR to determine if the beneficiary was still eligible for benefits at all. In addition, an individual overpayment can result in additional overpayments to dependents (family members who receive benefits). In 8 of the 60 cases, additional overpayments occurred because the primary beneficiary had dependents. For example, in one case, the overpayments to two dependent children added \$6,580 to the primary beneficiary's existing overpayment debt of \$17,102, for a total of \$23,682 owed.

A beneficiary's total DI overpayment debt can also increase because of multiple periods of employment. DI beneficiaries may reenter and leave the workforce based on their ability to perform SGA. As a result, a beneficiary could be subject to multiple periods of DI overpayments if he or she does not report increased earnings to SSA in a timely manner, as regulations instruct. In 49 of the 60 cases we randomly selected for review, there was no indication in the file that the individual had reported his or her earnings to SSA, and in 15 of the 60, SSA had detected two or

³²AERO checks, or recomputes, earnings by a beneficiary to ensure they are properly credited for that individual in determining the monthly disability benefit amount, including DI benefits. If an increase in benefit amount is due, AERO processes a benefit change and notifies the beneficiary. If no increase is due, AERO does not send a notice. AERO is run twice for each earnings year, usually in late October and late March.

more separate periods of earnings which resulted in overpayments. In one of these cases, the ineligible beneficiary owed SSA for multiple overpayments totaling \$69,976.

SSA Lacks Agencywide Performance Goals for DI Debt Recovery and Debt Continues to Accrue

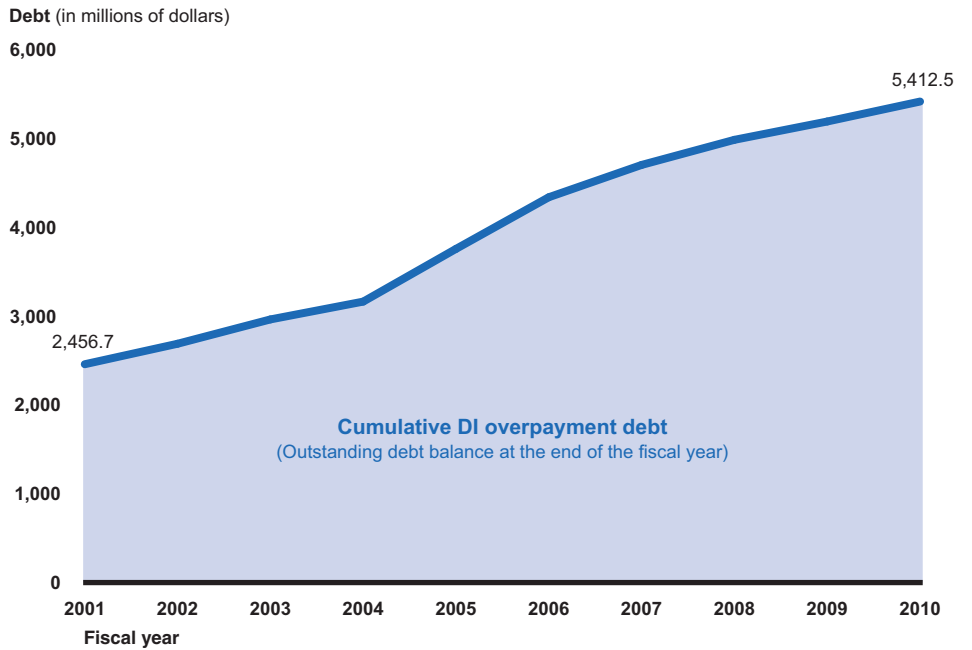
SSA does not currently have formal, agencywide performance goals for debt recovery. Specifically, the agency does not have goals for the percentage of DI overpayment debt recovered within the 36-month time frame as required by its own policy. Under the Government Performance Results Act of 1993, federal agencies are required to establish performance goals to define level of performance and establish performance indicators to be used in measuring relevant outputs, service levels, and outcomes for each program activity.³³ Although SSA's policy manual, the Program Operations Manual System (POMS), requires staff to ask for full repayment within 36 months,³⁴ the agency has not made this time frame a performance goal. SSA officials said they are currently working to develop debt recovery goals. In the meantime, without agencywide performance goals for debt recovery, SSA cannot adequately assess its performance or fully leverage and target its resources to recover overpayments from ineligible beneficiaries and reduce the total owed to SSA. Despite an increase in DI debt collections—\$340 million to \$839 million from fiscal year 2001 through fiscal year 2010—outstanding DI debt grew from \$2.5 billion to \$5.4 billion during this time, including a \$225 million increase in fiscal year 2010.³⁵ (Fig. 4 shows the growth in cumulative overpayment debt in recent years.)

³³Pub. L. No. 103-62, § 4(b), 107 Stat. 285, 287 (codified at 31 U.S.C. § 1115(a)).

³⁴See SSA POMS GN 02210.214(C) and GN 02210.030(B).

³⁵The stated amounts for DI overpayment debt do not include interest or penalties.

Figure 4: Cumulative DI Overpayment Debt, Fiscal Years 2001-2010



Source: SSA.

Note: The cumulative DI overpayment debt for fiscal years 2001 to 2010 is understated in this figure due to a limitation in one of SSA's data systems. SSA officials are aware of the system limitation and are working to address the issue.

Cumulative overpayment debt is comprised of existing debt carried forward from prior years, new debt, and reestablished debts (debts reactivated for collection due to re-entitlement or other event). Write-offs, including waivers and terminated collections, are not included in cumulative overpayment debt. Write-offs generally represent money the agency will never recover because it has either waived an overpayment

or has terminated collection activities on the overpayment.³⁶ Write-offs in the DI program totaled about \$4 billion over the 10-year period, including about \$460 million in fiscal year 2010. (See app. II for more specific information on overpayment debt in fiscal years 2001 to 2010.) In the 60 cases we reviewed, 20 contained a waiver request from the beneficiary. SSA approved 2 of these requests for a total of \$36,413 waived, and denied 14 requests. Four other waiver requests were pending a decision at the time of our review. SSA may waive an overpayment if the agency determines that an individual is not at fault for the overpayment and recovery would defeat the purpose of the program or be against equity and good conscience.

Most overpayment debt is collected by SSA through partial benefit withholding or the withholding of future DI benefits for which a beneficiary is still eligible. SSA attributes 77 percent of the approximately \$839 million of debt collected in fiscal year 2010 to withholding of DI benefits. The amount withheld from benefits to recoup previous overpayments may be negotiated with the debtor and based on a monthly amount the debtor can afford. The remainder of overpayment debt is collected in a variety of ways, including payments by the debtor and return of uncashed DI benefit checks; withholding of other SSA benefits, such as SSI;³⁷ or through external collection including federal salary offset, administrative offset (other than against SSA benefits), tax refund offset, and administrative wage garnishment. SSA estimates that only about 11 percent of collections is through external means. In our 60 cases, 5 were referred for

³⁶A waiver is a permanent removal of debt from an individual's record and from SSA's balance sheet and cannot be collected in the future. Some waiver decisions are beyond the agency's control, such as those attributable to bankruptcy and administrative law judge decisions instructing the agency to waive overpayments. A termination of debt collection means that SSA is giving up efforts to collect the debt internally but will refer the debt for external collection, if the debt meets specific criteria for the applicable external collection tools. If the debtor subsequently receives DI or other benefits, SSA will resume its own collection efforts by benefit withholding for any outstanding debt, or balance of a debt, not previously waived.

³⁷There is no limit on the withholding from old age and survivors (retiree) monthly benefits. Withholding from SSI is limited to the lesser of the amount of the benefit or 10 percent of the beneficiary's monthly income. 42 U.S.C. § 1320b-17(b).

external collection at the time of our review, for a total owed of \$79,950, but just \$2,478 had been recovered through these methods.³⁸

SSA Policy Does Not Require Supervisory Review of Repayment Plans, although Some Last Decades

SSA does not require supervisory review of repayment plans prior to approval, including those in which repayment periods exceed the recommended 36 months. The agency reported that in fiscal year 2010, the average time to collect a DI overpayment debt in full was 48 months. However, in our review of 60 cases, we found that SSA agreed to some initial repayment plans which will take many decades. We analyzed the initial repayment plans established for individuals in these cases and found³⁹ 42 of the 60 had a repayment plan in place, with a median repayment time for all 42 of approximately 34 months. While SSA's POMS require that staff should seek full repayment within 36 months, SSA officials reported that no supervisory approval is needed to exceed the 36 months. Of the 42 cases with a repayment plan, 19 had initial plans requiring more than 36 months for repayment in full and 7 of these required 20 years or more. Repayment time frames for the 42 cases ranged from less than 1 year to nearly 223 years for a case with a 60-year-old debtor who was paying \$10 a month on \$26,715 owed. (Fig. 5 shows the years that it would take SSA to recover each overpayment based on the initial repayment plan established.) SSA officials told us they are often unable to increase monthly repayment amounts and thus shorten repayment time frames because of a debtor's limited income. For instance, in a case we reviewed with an initial repayment plan of 148 years for \$44,465 in overpayments owed to SSA, SSA records show the individual earned less than \$100 in 2010.⁴⁰ As this case illustrates, SSA's policy allowing for extended repayment plans means that some of these plans will likely extend beyond the beneficiary's anticipated retirement

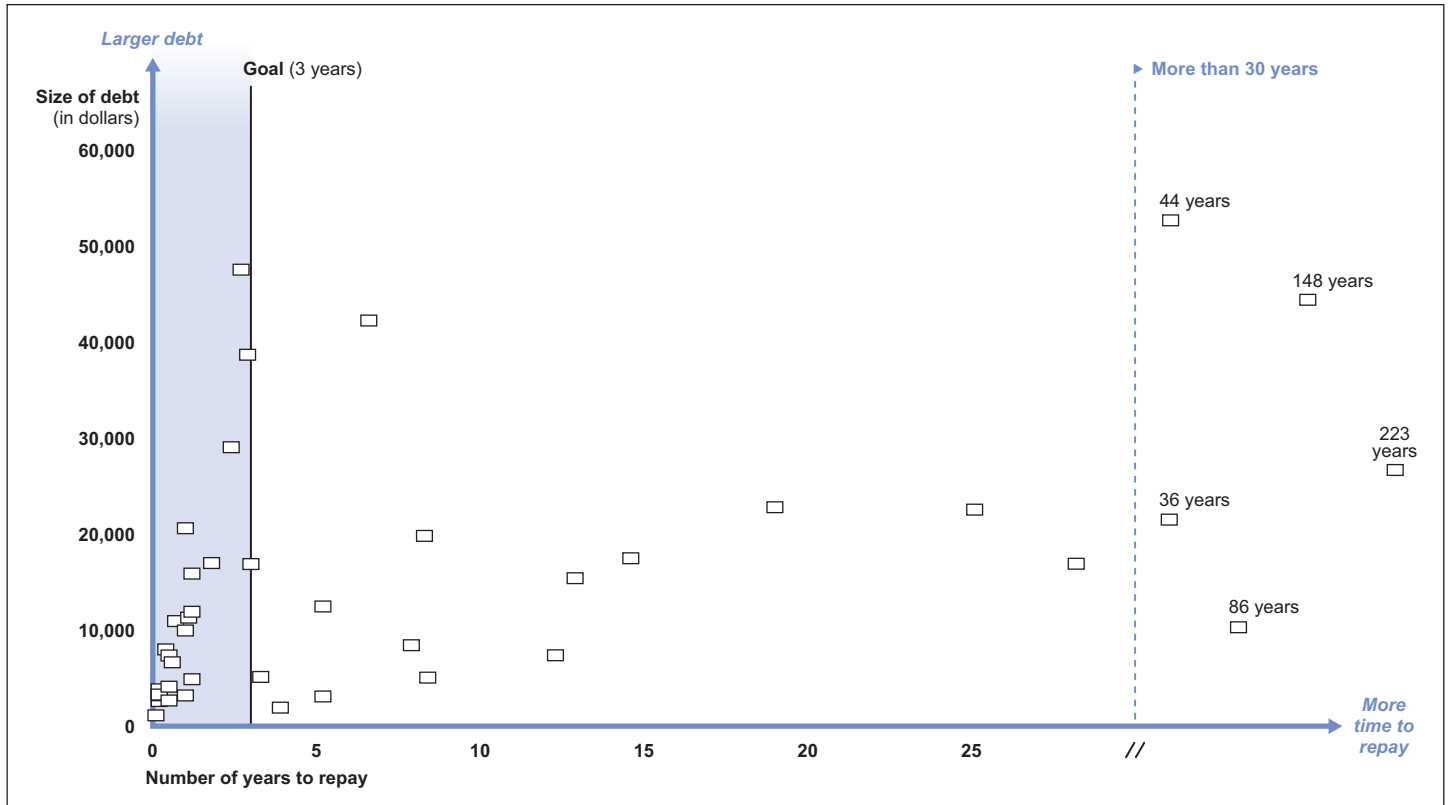
³⁸Case file data were pulled between September 2010 and November 2010, or for roughly the first quarter of fiscal year 2011. Most of these criteria were established for and by the Department of the Treasury, which administers external collection, per the Debt Collection Improvement Act of 1996, Pub. L. No. 104-134. § 31001, 110 Stat. 1321, 1321-358 – 1321-380. Treasury determines the criteria for collection from debts referred from creditor agencies; therefore, amounts recovered by this means are beyond SSA's control.

³⁹In the 60 cases we reviewed, we analyzed the number of years it would take to repay the initial work-related overpayment debt, less any initial waivers or one-time payments, given the first recurring monthly payment established in the ROAR record.

⁴⁰DI does not have a cap on program benefit withholding to recover DI overpayments. Instead, debt specialists set withholding amounts on a case-by-case basis.

age and total lifespan, thereby reducing the prospect of ultimate collection.

Figure 5: Projected Years Needed for Repayment in Full for 42 Cases with Initial Plans



Source: GAO analysis of SSA data.

In the course of analyzing repayment plans, we also identified a system limitation that could further impede SSA’s ability to collect overpayment debt in future years. More specifically, we found that the ROAR system cannot capture and track overpayment debt scheduled to be collected beyond the year 2049. This ROAR system limitation stems from a program modification used to address the change of the century (Y2K) computer issue, and which extended the debt recovery date in the ROAR system from “1999” to “2049.” Under existing SSA policies and procedures,⁴¹ SSA staff manually remove from the ROAR system the

⁴¹Effective as of April 2007.

portion of any debt that cannot be collected before the year 2050, and create a reminder in the system to recover that balance beginning in the year 2050. However, because this is a manual process, the intended recovery action could be potentially missed by staff responsible for processing the cases in the future. As a result, the overpayment debt on the agency's books, and reported to the Department of the Treasury (Treasury) for the federal government's consolidated financial statements, is likely understated to an unknown extent. Equally important, we found that unless this problem is corrected, more overpayments will likely continue to be underreported as the years progress, and the impact on the DI Trust Fund may become more pronounced as time goes on. Overall, we found that 3 of the 60 cases reviewed had a total of \$43,285 in overpayments removed from ROAR system records because collection of these payments will occur after the year 2049. However, because the results of our case review are not generalizable, we could not determine how many additional disability overpayment cases detected by SSA fell into this category. Since bringing this issue to their attention, SSA officials told us that the agency has begun to study this ROAR system limitation and an agency working group will recommend a course of action to correct the problem.

SSA Initiatives Target the Recovery of Delinquent Debt

SSA officials reported that the agency is planning certain initiatives that could improve the recovery of overpayment debt. First, SSA officials told us that the agency is in the process of amending administrative offset and tax refund offset regulations to change the existing requirement regarding referrals of delinquent debt to Treasury. This change would allow SSA to refer debts that are delinquent for 10 years or more to Treasury for collection—something that it does not currently do. Second, Treasury has launched a pilot program providing for reciprocal offset of federal and state payments to individuals who are in debt to either federal or state programs. This program would allow a federal agency such as SSA to, for example, offset a beneficiary's state income tax refund to collect certain delinquent federal debts (such as DI program overpayments), while allowing for a reciprocal agreement with individual states. Four states—Kentucky, Maryland, New Jersey, and New York—are currently participating in the Treasury pilot program, and Treasury reports that it

plans to expand the program to all states.⁴² On March 2, 2011, SSA officials published proposed amendments to regulations that would allow SSA to utilize these collection tools.⁴³

Lack of Timely Earnings Data and Inconsistent Processing of Work CDRs Allow Overpayments to Accrue

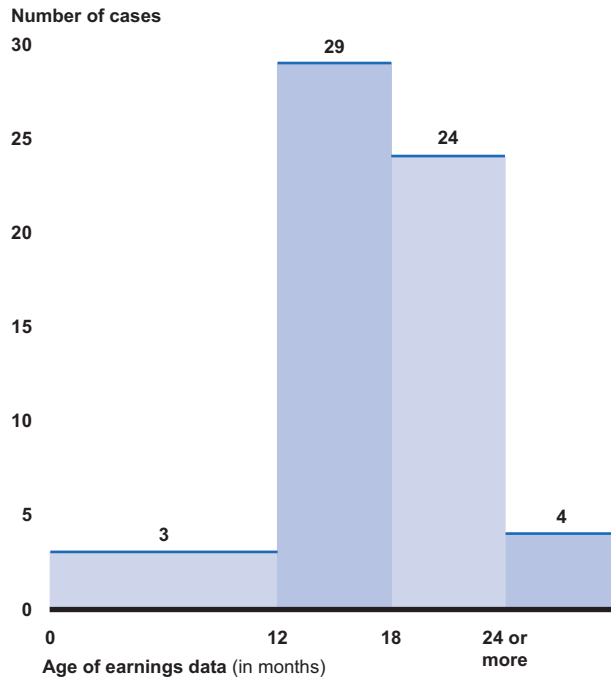
Dated IRS Earnings Data and Failure of Beneficiaries to Report Earnings Increase Work-Related Overpayments

SSA conducts periodic computer matches with wage data from the IRS to independently verify beneficiaries' earnings. However, earnings data provided through the IRS match are often more than a year old when SSA staff begin the work CDR prompted by the match. Managers and staff at the four processing centers we visited cited this delay as a major obstacle to limiting the occurrence and size of overpayments. Our work shows that this has delayed processing of work CDRs. In the 60 cases we reviewed, the earnings data were already between 6 and 26 months old by the time they were available to SSA staff for performing work CDRs. (Fig. 6 shows how old earnings data were for the 60 cases.)

⁴²As of May 2011, Treasury reported that Louisiana, West Virginia, Wisconsin, and the District of Columbia had passed the necessary legislation to participate in the state repayment program and were formulating implementation plans.

⁴³Recovery of Delinquent Debts—Treasury Offset Program Enhancements, 76 Fed. Reg. 11402.

Figure 6: Age of Earnings Data Provided to SSA by IRS Earnings Alerts, of 60 Cases Reviewed



Source: GAO analysis of SSA data.

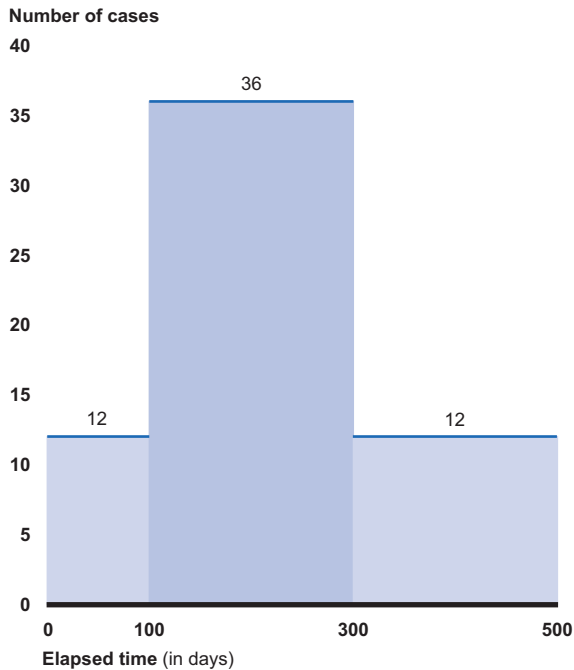
While DI beneficiaries are responsible for notifying SSA when they return to work as a condition of receiving benefits, they sometimes fail to make such notifications. Our review of 60 cases found no indication in 49 that the individual had reported their work and earnings to SSA as instructed by regulation. In the other 11 cases, beneficiaries had reported returning to work, including the name of their employer and the amount of their wages, at some point. Yet 6 of these cases resulted in about \$78,000 in total overpayments, even though these beneficiaries reported returning to work more than a year prior to initiation of the work CDR. In the remaining 5 cases, the beneficiary reported working only after the CDR was initiated.

Earnings data from IRS or from beneficiaries may age further once received by SSA because no specific program guidelines exist that require immediate action on results of the IRS match, and consequently staff do not always begin a work CDR immediately. From the date of the initial IRS alert to the date staff begin work on the CDR, cases that have

been identified by the IRS match and selected for a work CDR (but for which no action has yet been taken to process the work CDR) are categorized by SSA as “pending development.” In the 60 cases we reviewed, the median time cases were pending development was 205 days, or about 7 months, and ranged from 2 to 466 days, or more than 15 months.⁴⁴ For example, in the 466-day case, the IRS alert came to SSA in September 2007, when earnings (for 2006) were already 15 months old, then aged an additional 15 months until SSA staff began developing the work CDR. SSA officials could not explain what caused the delay in initiating development of this case or of several others we reviewed. (Fig. 7 shows the number of days that the 60 cases were pending development.)

⁴⁴Among the four processing centers we visited, the median time spans from alert to beginning work on the CDR was 157, 165, 199, and 214 days.

Figure 7: Time Pending Development after IRS Alert Delivered, of 60 Cases Reviewed



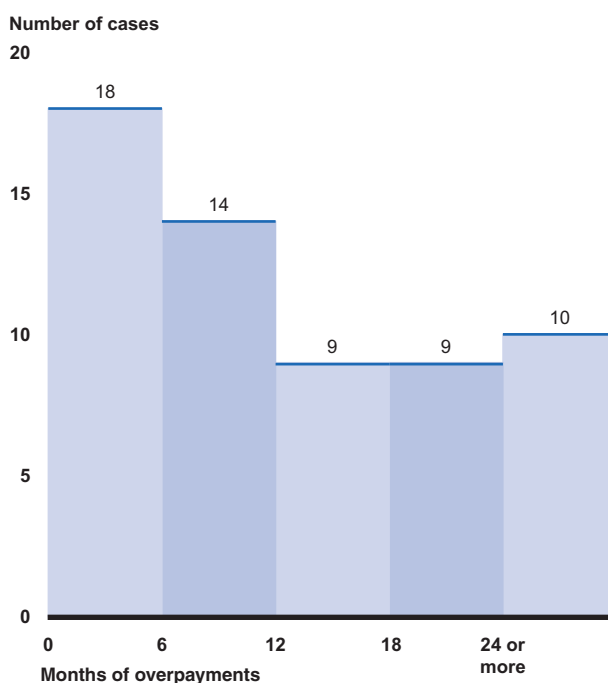
Source: GAO analysis of SSA data.

The delays that occur when staff do not act promptly to begin a work CDR, in combination with the initial delays in receiving beneficiary earnings data (either from the IRS enforcement operation or beneficiaries' failure to self-report earnings), can result in multiple DI overpayments which may continue to accrue for extended periods of time before they are addressed. For example, in the 60 cases we reviewed, delays which occurred after IRS alerts were delivered to SSA resulted in individual beneficiaries being overpaid for up to 38 months.⁴⁵ Most received fewer than 12 months of overpayments, but 19 of the cases received 18 or more months of overpayments. According to an SSA official, staff shortages and the need to focus resources on competing workloads, such as initial DI claims and medical CDRs, are among the factors delaying

⁴⁵This is illustrative of how long overpayments occurred even before the case was flagged for review by the enforcement operation.

development of work CDRs once earnings information is received. (Fig. 8 shows the amount of time that overpayments accrued pending development.)

Figure 8: Number of Months Overpayments Accrued as CDR Development Was Pending, of 60 Cases Reviewed



Source: GAO analysis of SSA data.

In 2004, we recommended that SSA seek to use large scale batch matches with an alternative database of earnings, the National Directory of New Hires (NDNH), which was originally established to help states locate noncustodial parents for child support payments. The NDNH could provide SSA with quarterly wage information on employees within 4 months of the end of a calendar quarter.⁴⁶ Several federal programs and agencies currently use the NDNH to verify program eligibility, detect and

⁴⁶The NDNH contains quarterly state wage information, which is more recent than the annual wage information that SSA obtains through its current IRS data match. SSA currently uses the NDNH to periodically monitor the earnings of SSI recipients.

prevent potential fraud or abuse, and collect overpayments. In 2009, SSA conducted a cost-effectiveness study on use of the NDNH, which concluded that a match would generate a large number of alerts needing development that were not of high quality. They also said the study found a return on investment of only about \$1.40 in savings for each \$1 spent. However, based on the information provided, we believe that some of the assumptions used in the analysis were overly pessimistic. For example, though SSA initially estimated savings of nearly \$8 for every dollar spent by using the NDNH, the agency subsequently reduced this estimate by concluding that much of the anticipated savings from this match would ultimately be captured by the current enforcement operation. This assumption does not appear to fully take into account the fact that initial use of the NDNH would likely identify many potential overpayments earlier in the process, thus reducing the duration and size of those overpayments compared with the current enforcement operation. Thus, it is likely that the actual savings that result could in fact be higher. The agency's actual experience with the NDNH in its SSI program suggests its application in the DI program may be more cost-effective than indicated by SSA's analysis. According to SSA officials, the NDNH match with the SSI program has resulted in an estimated \$200 million in savings per year for the program.⁴⁷ Furthermore, even if the savings resulting from use of the NDNH for identifying DI beneficiaries' earnings is only \$1.40 for every \$1 spent, as estimated by SSA, this still represents a 40 percent rate of return.

In a 2010 report, we also recommended that SSA evaluate the feasibility of incorporating the twice-annual AERO process in the agency's work CDR process.⁴⁸ SSA does not use AERO to identify beneficiaries who work. SSA officials told us they are in the early stages of evaluating this use and, as part of this effort, they said they may include an AERO alert as one of several screening factors to identify cases at high risk for DI overpayments. Agency officials also told us that they plan to match cases that have both an AERO alert and an IRS alert and delay any AERO-

⁴⁷Social Security Administration, Office of the Inspector General, *Supplemental Security Income Overpayments*, A-01-04-24022 (2004).

⁴⁸GAO, *Social Security Administration: Cases of Federal Employees and Transportation Drivers and Owners Who Fraudulently and/or Improperly Received SSA Disability Payments*, [GAO-10-444](#) (Washington, D.C.: June 25, 2010).

awarded changes to benefit amounts until the CDR has been completed to potentially reduce overpayments.

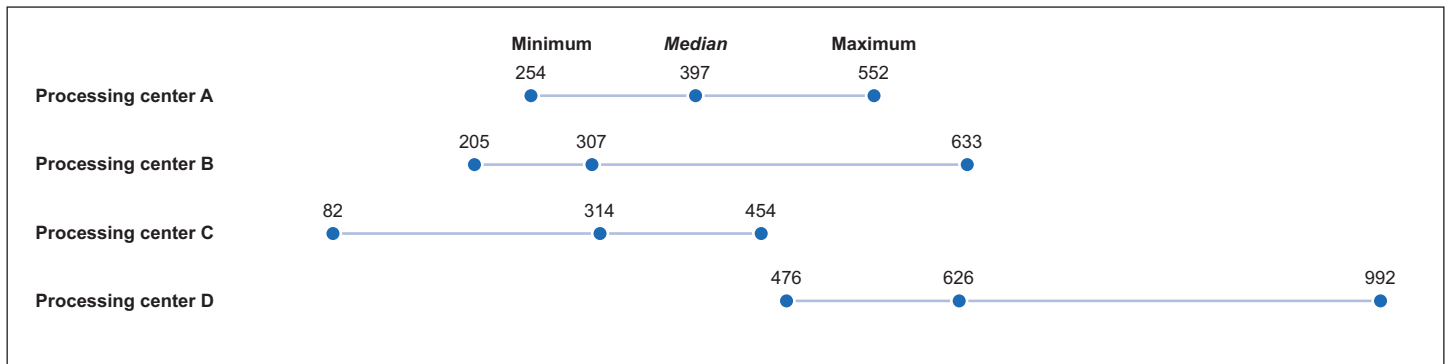
SSA Lacks Agencywide Performance Goals and a Consistent Approach for Processing Work CDRs

Similar to our findings about the lack of agencywide performance goals for overpayment debt recovery, we also found that SSA does not have agencywide performance goals or a consistent approach for processing work CDRs across its processing centers. Specifically, the agency does not have performance goals for the number of days taken to completely process a work CDR. While SSA has established an agencywide goal for processing a certain number of medical CDRs in a fiscal year, and includes this goal in the agency's annual performance plan, SSA officials told us they have not established similar goals for work CDRs. Instead, they have established "targets" for the processing centers. For example, in fiscal year 2011, SSA set targets for the completion of 95 percent of IRS alerts on earnings generated in 2008 or earlier by September 24, 2010, and for processing centers to complete development of at least 99 percent of cases within 270 days by September 30, 2011.⁴⁹ Overall, we found that while SSA's policies establish steps for work CDR processing to be followed across all processing centers, processing times across the four centers we visited varied widely once development was initiated. More specifically, we found that processing times for the 60 cases we reviewed ranged from 82 to 992 days (with a median of 396 days)⁵⁰ and resulted in combined overpayments totaling more than \$1 million. We also found the median processing time for the cases we reviewed from three centers ranged from 307 to 397 days, and the median processing time at the fourth center, which processes about 50 percent of all work CDRs, was 626 days. (Fig. 9 shows the variance in processing time across the four processing centers.)

⁴⁹SSA begins measuring this target from the time staff begin work on developing the case through the time the cessation decision was made. For Processing Center 7 in Baltimore, the target for completing development of cases is at least 99 percent within 365 days by September 30, 2011.

⁵⁰We measured processing time from the time the IRS alert was generated through the time the cessation decision was made.

Figure 9: Variance in Total Case Processing Time across Four Processing Centers Visited, of 60 Cases Reviewed



Source: GAO analysis of SSA data.

Recent SSA Initiatives Are Aimed at Identifying Cases at Greatest Risk of Overpayments

Within the last year, SSA has started work on several new initiatives to identify work CDR enforcement alerts from its IRS match that correspond to those cases which are more likely to result in large overpayments. First, the agency has started prioritizing IRS alerts with reported earnings that are greater than or equal to 12 times the current SGA level (\$1,000 per month in calendar year 2011). Second, in response to a prior GAO recommendation, SSA is testing a “predictive model” intended to identify those cases with the highest probability of having large overpayments and prioritizing them for review by processing center staff. Using existing screening criteria, the model will assign cases a numeric score based on the beneficiary’s age, type of disability, benefit amount, earnings, time on disability rolls, and number of denials for eligibility, among others. The highest-scoring alerts would be processed first because SSA believes they are most likely to result in cessation of DI benefit payments and thus be incurring overpayments. This initiative is currently being piloted in three processing centers.

In a third initiative, SSA is piloting a comprehensive review of how all types of work CDRs are conducted using a sample of 1,000 recently completed CDRs. This review is intended to identify any aspects in the initial process that did not appear to be completed correctly. Because work CDRs are the most common type of CDR the agency encounters, SSA anticipates they will be a majority of the sample. Agency officials shared some of the review’s early findings with us, including inadequate documentation of case development, inconsistencies and vague language in SSA’s operating procedures, and errors in calculating SGA, which may contribute to overpayments. SSA’s Office of Quality and

Performance expects to issue its study results in fall 2011. Fourth, SSA staff are working to update and streamline work issue procedures regarding the initiation, follow-up time frames, and overall completion of work CDRs for processing center personnel. The agency anticipates releasing the updated POMS that will incorporate these new procedures in October 2011.

Finally, SSA has revised the forms filed by beneficiaries to document work activity and to make SGA determinations by SSA staff. According to agency officials, the forms should be easier for beneficiaries to understand and complete, and should improve compliance with beneficiary reporting requirements. As part of this initiative, SSA officials told us that they have also reduced the number of follow-up requests for these forms before staff are allowed to make a decision concerning a beneficiary's continued eligibility for DI benefits. According to agency officials, the Office of Management and Budget approved both of the revised work activity reports. In addition, SSA staff are hopeful that the revised form will result in more timely work CDR processing and reduced overpayments. While these initiatives represent promising steps, it is too early to assess what impact they may have on the prevalence and size of DI overpayments.

Conclusions

Our review shows that while SSA has some initiatives to improve how it performs work CDRs, existing policies and processes impede its ability to more effectively detect, prevent, and recover overpayments. In particular, the existence of repayment plans that extend out past a debtor's full retirement age or projected lifespan means that it is unlikely those debts will be repaid in full. In addition, the lack of both agencywide performance goals that specify debt collection time frames and policies that specify the review of individual debt repayment plans to ensure that they are meeting these goals hinder the agency's debt collection efforts. Compounding this problem, the inability of the ROAR system to process debt recovery actions past the year 2049 jeopardizes the agency's ability to accurately track and report on the recovery of all overpayments. In addition, SSA's continued reliance on outdated earnings information to identify beneficiaries who may no longer be eligible for benefits means that overpayments, including some large overpayments, are probably inevitable. SSA's dependence on such data also means that staff responsible for performing work CDRs are often dealing with cases that are already aged when they receive them, and thus more difficult and time-consuming to develop. As a result, SSA is often in a "pay and chase" mode that further stretches limited staff and budgetary resources. Absent

more timely sources of earnings data to inform the work CDR process, this problem is likely to persist. Additionally, other weaknesses such as the lack of agencywide performance goals for processing centers and staff likely contribute to delays in processing this workload. These delays, in turn, can become a factor in the large size of some overpayments. Without performance goals specifying the time that cases should be pending development, or the number of days to completely process a work CDR, improvements to the agency's operations in this area are made less likely. We recognize that ensuring the integrity of the DI program while also performing other work, such as processing medical CDRs and helping beneficiaries return to work, is a challenge for SSA. However, the continuing weaknesses we identified in SSA's existing work CDR processes and policies, as well as the mounting overpayment debt and its impact on the financial health of the DI Trust Fund, require sustained management attention and a more proactive stance by the agency.

Recommendations

To enhance SSA's ability to recover debt and to improve the detection and, where possible, prevention of overpayments in the DI program, we recommend that the Commissioner of Social Security

1. develop and adopt agencywide performance goals, for the recovery of DI overpayment debt, such as the percent of outstanding debt collected annually.
2. require supervisory review and approval of repayment plans which exceed SSA's target of 36 months.
3. correct the ROAR 2049 system limitation so that debt scheduled for collection after 2049 is included in the system and available for SSA management, analysis, and reporting.
4. explore options for obtaining more timely earnings information for DI program beneficiaries who may be working, and thus are more likely to incur overpayments. This would include developing data sharing agreements to access pertinent earnings-related databases, such as the NDNH.
5. develop and adopt additional formal agencywide performance goals for work CDRs to measure the time that cases are pending development, and the number of days taken to process a work CDR.

Agency Comments and Our Evaluation

We obtained written comments on a draft of this report from the Commissioner of the Social Security Administration. The comments are reproduced in appendix III. SSA also provided additional technical comments, which have been incorporated in the report as appropriate. SSA agreed with four of five recommendations we made to the Commissioner to strengthen SSA's processes and management controls over the detection, prevention, and recovery of DI overpayments.

SSA agreed with our first recommendation to develop and adopt additional agencywide performance goals for the recovery of DI overpayments, such as the percent of outstanding debt collected annually. The agency noted that the Office of Management and Budget (OMB) guidance for the Improper Payments Elimination and Reduction Act of 2010 requires agencies to establish targets that drive annual performance based on percentage of recovery (i.e., proportion of overpayment dollars identified which are recovered in a fiscal year). The agency said it is working with OMB to develop appropriate debt recovery goals. We agree this is a positive step, as would be including that targeted percentage in its annual agencywide performance goals.

SSA disagreed with our second recommendation to require supervisory review and approval of DI repayment plans which exceed SSA's targeted 36 months. In particular, the agency noted that it negotiates these plans based on a beneficiary's income, ability to pay, and personal circumstances. SSA said this recommendation would not improve collection rates, and an additional approval step is unnecessary. However, the agency said it will issue guidance to its employees reminding them to make every effort to recover debts within 36 months. We agree that issuing guidance to staff to remind them about repayment time frames is a positive step, but based on recent experiences, we continue to believe supervisory review and approval of plans that exceed 36 months is needed to strengthen SSA's controls over the process and decrease the incidence of repayment plans that extend past a debtor's full retirement age or projected lifespan.

SSA agreed with our third recommendation that SSA correct the ROAR 2049 system limitation so debt scheduled for collection after 2049 is included in the system and available for current SSA management, analysis, and reporting. SSA noted the agency is considering solutions for this limitation.

SSA agreed with our fourth recommendation to explore options for obtaining more timely earnings information for DI program beneficiaries

who may be working, and thus more likely to incur overpayments. These options include data sharing agreements to access pertinent earnings-related databases such as the NDNH. The agency noted it has plans in this area. Specifically, SSA said while it had previously determined it would not be cost-effective to use the NDNH for this purpose, it will reevaluate that decision. SSA also said it will continue to explore other options for obtaining timely earnings information from other sources. In addition, the agency said it has developed, based on a previous GAO recommendation, a computer match of Social Security employee payroll records and DI and SSI benefit rolls. We agree this internal SSA computer match should help to obtain more timely earnings information on DI beneficiaries who may be working. We also encourage SSA to develop data-sharing agreements to leverage other databases such as NDNH which allow for regular batch-file matches to verify beneficiaries' earnings.

SSA agreed with our fifth recommendation to develop and adopt additional formal, agencywide performance goals for the time work CDR cases are pending development and the number of days taken to process them. The agency commented that it already has internal targets for overall work CDR processing times. SSA said it will consider GAO's recommendation as it works on its agency performance goals. We agree the agency's internal targets for work CDR processing are a positive step. However, we continue to believe that formal, agencywide work CDR performance goals are needed to assist SSA in assessing its performance and fully leveraging its resources in this area. The agency should consider measuring the time cases are pending development, and the number of days taken to process a work CDR, against agencywide annual performance goals it develops.

We are sending copies of this report to the Commissioner of Social Security, appropriate congressional committees, and other interested parties. The report is also available at no charge on GAO's Web site at <http://www.gao.gov>.

If you or your staffs 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. Key contributors to this report are listed in appendix IV.



Daniel Bertoni
Director, Education, Workforce,
and Income Security Issues

Appendix I: Enforcement Cumulative Totals and Distribution for IRS Enforcement Matches Conducted in 2008-2010 (Data for Earnings Years 2007 through 2009)

Table 1: Enforcement Cumulative Totals and Distribution for Earnings Year 2009 Data

	2009 run 1 06/23/2010		2009 run 2 09/08/2010		2009 run 3		2009 totals	
Number of enforcement records	1,640,631		423,159		0		2,063,790	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Alerted to processing centers 1-8	422,586	25.76%	97,730	23.09%	0	0.00%	520,316	25.21%
Alerted to field offices	9,878	0.60	1,289	0.30	0	0.00	11,167	0.54
Not alerted ^a	1,208,167	73.64	324,140	76.60	0	0.00	1,532,307	74.25
Total	1,640,631	100%	423,159	100%	0	N/A	2,063,790	100%
Processing center								
1	30,039	7.11%	6,476	6.63%	0	0.00%	36,515	7.02%
2	25,599	6.06	7,031	7.19	0	0.00	32,630	6.27
3	37,087	8.78	10,395	10.64	0	0.00	47,482	9.13
4	32,074	7.59	9,177	9.39	0	0.00	41,251	7.93
5	31,150	7.37	8,924	9.13	0	0.00	40,074	7.70
6	37,262	8.82	11,541	11.81	0	0.00	48,803	9.38
7	228,956	54.18	44,062	45.08	0	0.00	273,108	52.47
8	419	0.10	124	0.13	0	0.00	543	0.10
Total	422,586	100%	97,730	100%	0	N/A	520,316	100%

Source: SSA provided DI earnings enforcement data.

^aAfter the initial match, selection criteria are applied to identify those records with earnings that SSA did not previously know about, and are most likely to affect DI benefit payments. The records that are not selected for review are not sent to the processing centers or field offices for review.

**Appendix I: Enforcement Cumulative Totals
and Distribution for IRS Enforcement Matches
Conducted in 2008-2010 (Data for Earnings
Years 2007 through 2009)**

Table 2: Enforcement Cumulative Totals and Distribution for Earnings Year 2008 Data

	2008 run 1a 8/5/2009		2008 run 1b 8/12/2009		2008 run 2 03/24/2010		2008 totals	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Number of enforcement records	1,775,131		5		483,226		2,258,362	
Alerted to processing centers 1-8	469,051	26.42%	5	100.00%	72,443	14.99%	541,499	23.97%
Alerted to field offices	15,208	0.86	0	0.00	1,117	0.23	16,325	0.72
Not alerted^a	1,290,872	72.72	0	0.00	409,666	84.78	1,700,538	75.29
Total	1,775,131	100%	5	100%	483,226	100%	2,258,362	100%
Processing center								
1	34,412	7.34%	0	0.00%	4,548	6.28	38,960	7.19%
2	30,162	6.43	0	0.00	4,669	6.45	34,831	6.43
3	42,360	9.03	0	0.00	7,749	10.70	50,109	9.25
4	36,505	7.78	0	0.00	6,612	9.13	43,117	7.96
5	35,450	7.56	0	0.00	5,888	8.13	41,338	7.63
6	42,778	9.12	0	0.00	7,794	10.75	50,572	9.34
7	246,903	52.64	5	100.00	35,090	48.43	281,998	52.08
8	481	0.10	0	0.00	93	0.13	574	0.11
Total	469,051	100%	5	100%	72,443	100%	541,499	100%

Source: SSA provided DI earnings enforcement data.

^aAfter the initial match, selection criteria are applied to identify those records with earnings that SSA did not previously know about, and are most likely to affect DI benefit payments. The records that are not selected for review are not sent to the processing centers or field offices for review.

**Appendix I: Enforcement Cumulative Totals
and Distribution for IRS Enforcement Matches
Conducted in 2008-2010 (Data for Earnings
Years 2007 through 2009)**

Table 3: Enforcement Cumulative Totals and Distribution for Earnings Year 2007 Data

	2007 run 1 7/23/2008		2007 run 2 10/1/2008		2007 run 3a 4/1/2009		2007 run 3b 5/19/2009		2007 totals	
Number of enforcement records	1,397,272		690,823		110,474		110,388		2,308,957	
	Count	Percent	Count	Percent	Count	Percent	Count	Percent	Count	Percent
Alerted to processing centers 1-8	394,405	28.23%	136,293	19.73%	72	0.07%	13,841	12.54%	544,611	23.59%
Alerted to field offices	20,746	1.48	4,359	0.63	14	0.01	506	0.46	25,625	1.11
Not alerted^a	982,121	70.29	550,171	79.64	110,388	99.92	96,041	87.00	1,738,721	75.30
Total	1,397,272	100%	690,823	100%	110,474	100%	110,388	100%	2,308,957	100%
Processing center										
1	26,221	6.65%	9,235	6.78%	23	31.94%	663	4.79%	36,142	6.64%
2	22,753	5.77	8,439	6.19	4	5.56	763	5.51	31,959	5.87
3	31,782	8.06	11,956	8.77	0	0.00	1,156	8.35	44,894	8.24
4	28,399	7.20	10,952	8.04	0	0.00	922	6.66	40,273	7.39
5	25,252	6.40	11,634	8.54	0	0.00	967	6.99	37,853	6.95
6	30,832	7.82	13,647	10.01	3	4.17	1,261	9.11	45,743	8.40
7	228,731	57.99	70,263	51.55	42	58.33	8,097	58.50	307,133	56.39
8	435	0.11	175	0.13	0	0.00	12	0.09	622	0.11
Total	394,405	100%	136,301	100%	72	100%	13,841	100%	544,619	100%

Source: SSA provided DI earnings enforcement data.

^aAfter the initial match, selection criteria are applied to identify those records with earnings that SSA did not previously know about, and are most likely to affect DI benefit payments. The records that are not selected for review are not sent to the processing centers or field offices for review.

Appendix II: Financial Data on DI Overpayments and Overpayment Debt

Dollars in millions

Fiscal year	Cumulative DI debt balance at the beginning of fiscal year	+ All new DI debts detected, re-established debts, and adjustments	- Collections	- Write-offs ^a	= Cumulative DI debt balance at the end of fiscal year
2001	\$2,165.4	\$892.8	\$340.1	\$261.4	\$2,456.7
2002	2,456.7	918.2	366.9	320.8	2,687.2
2003	2,687.2	1,029.1	430.9	324.5	2,960.8
2004	2,960.8	990.9	431.2	359.4	3,161.3
2005	3,161.3	1,434.7	480.1	361.3	3,754.7
2006	3,754.7	1,706.4	629.4	495.8	4,335.9
2007	4,335.9	1,512.5	685.6	463.3	4,699.4
2008	4,699.4	1,573.3	787.0	504.0	4,981.8
2009	4,981.8	1,534.2	839.8	488.3	5,187.9
2010	5,187.9	1,523.6	838.9	460.1	5,412.5

Source: SSA

^aWrite-offs consist of waivers and terminations of collection. A waiver is a permanent removal of debt from an individual's record and from SSA's balance sheet. These are generally approved when an individual is both not responsible for the overpayment and incapable of repaying the debt. A termination of debt collection means that SSA is giving up efforts to collect the debt internally, but may refer the debt for external collection.

Appendix III: Comments from the Social Security Administration



SOCIAL SECURITY
Office of the Commissioner

July 15, 2011

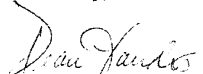
Mr. Daniel Bertoni, Director,
Education, Workforce, and Income Security Issues
United States Government Accountability Office
441 G. Street, NW
Washington, D.C. 20548

Dear Mr. Bertoni,

Thank you for the opportunity to review the draft report, "DISABILITY INSURANCE: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments" (GAO-11-724). Our response is enclosed.

If you have any questions, please contact me at (410) 965-0520. Your staff may contact Frances Cord, Director, Audit Management and Liaison Staff at (410) 966-5787.

Sincerely,


Dean S. Landis
Deputy Chief of Staff

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

**SSA COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO),
DRAFT REPORT, "DISABILITY INSURANCE: SSA CAN IMPROVE EFFORTS TO
DETECT, PREVENT, AND RECOVER OVERPAYMENTS" GAO-11-724**

GENERAL COMMENTS

We use many tools to assist us in collecting overpayments – benefit withholding, repayment arrangements, and external collection agencies. We pursue other options to prevent overpayments from occurring. For example, in January 2011 we revised Publication #05-10095, “Working While Disabled-How Can We Help” to provide specific instructions to Supplemental Security Income (SSI) and Social Security Disability Insurance (SSDI) recipients on how and when to report earnings or changes in work activity. We also published a one-page chart at <http://www.socialsecurity.gov/disability/> that provides guidance to SSDI beneficiaries on how to report information on income and work activity. We published a similar chart for SSI beneficiaries.

We are also pursuing legislative changes. In the fiscal year 2012 President’s budget submission, we included a legislative proposal for a Work Incentives Simplification Pilot (WISP). The legislation, if passed, will allow us to replace complex rules with a clear, simple, unified process that is easier to understand and administer. It would reduce improper payments, and allow us to redirect resources to other areas.

RESPONSES TO THE RECOMMENDATIONS

Recommendation 1

Develop and adopt additional agency-wide performance goals, for the recovery of Disability Insurance (DI) overpayment debt, such as the percent of outstanding debt collected annually.

Response

We agree. The Office of Management and Budget’s (OMB) guidance for the Improper Payments Elimination and Reduction Act of 2010 requires agencies to establish targets that drive annual performance. Targets must be based on percentage-of-recovery -- i.e., amount of improper overpayments recovered divided by the amount of improper overpayments identified. We are working with OMB to develop appropriate recovery goals.

Recommendation 2

Require supervisory review and approval of repayment plans which exceed SSA’s target of 36 months.

Response

We disagree. Your recommendation would not improve collection rates. We negotiate repayment arrangements based on beneficiaries’ income, ability to repay, and other

circumstances. An additional approval process is unnecessary. However, we will issue guidance to our employees reminding them to make every effort to recover debts within 36 months.

Recommendation 3

Correct the ROAR 2049 system limitation so that debt scheduled for collection after 2049 is included in the system and available for SSA management, analysis, and reporting.

Response

We agree. We are currently considering solutions to address this limitation.

Recommendation 4

Explore options for obtaining more timely earnings information for DI program beneficiaries who may be working, and thus more likely to incur overpayments. This would include developing data sharing agreements to access pertinent earnings related databases, such as the National Directory of New Hires.

Response

We agree and have already taken actions in this area. You had a similar recommendation in your June 2010 report, "Cases of Federal Employees and Transportation Drivers and Owners Who Fraudulently and/or Improperly Received SSA Disability Payments." After you issued that report, we developed a computer match that compares Social Security employee payroll records to DI and SSI benefit rolls.

While we determined previously that it would not be cost effective to utilize the National Directory of New Hires for similar purposes, we will reevaluate that decision. We will continue to explore other options for obtaining timely earnings information from other sources.

Recommendation 5

Develop and adopt additional formal agency-wide performance goals for work CDRs to measure the time that cases are pending development, and the number of days taken to process a work CDR.

Response

We agree. We have already established internal targets for overall work CDR processing times. We will consider your recommendation as we work to establish our high priority performance goals.

Appendix IV: GAO Contact and Staff Acknowledgments

GAO Contact

Daniel Bertoni, (202) 512-7215 or bertonid@gao.gov

Staff Acknowledgments

Jeremy Cox (Assistant Director) and Arthur T. Merriam Jr. (Analyst-in-Charge) managed all aspects of the assignment. Angela Jacobs, Joel Marus, and Katharine Kairys made significant contributions to this report, in all aspects of the work. In addition, Vanessa Taylor and Walter Vance provided technical support; Craig Winslow and Sheila McCoy provided legal support; Susan Aschoff assisted with the development of the message and report; David Forgosh, Monika Gomez, Cady Panetta, and Nyree Ryder Tee contributed to quality assurance for this product, and James Bennett provided graphics support.

Related GAO Products

Status of Fiscal Year 2010 Federal Improper Payments Reporting. [GAO-11-443R](#). Washington, D.C.: March 25, 2011.

Social Security Disability: Ticket to Work Participation Has Improved, but Additional Oversight Needed. [GAO-11-324](#). Washington, D.C.: May 2011.

High-Risk Series: An Update. [GAO-11-278](#). Washington, D.C.: February 16, 2011.

Social Security Administration: Cases of Federal Employees and Transportation Drivers and Owners Who Fraudulently and/or Improperly Received SSA Benefits. [GAO-10-444](#). Washington, D.C.: June 2010.

Social Security Administration: Cases of Federal Employees and Transportation Drivers and Owners Who Fraudulently and/or Improperly Received SSA Benefits. [GAO-10-949T](#). Washington, D.C.: August 4, 2010.

Disability Insurance: SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments. [GAO-04-929](#). Washington, D.C.: September 10, 2004.

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