COMMITTEE ON OVERSIGHT AND GOVERNMENT REFORM
SUBCOMMITTEE ON GOVERNMENT OPERATIONS

UNITED STATES HOUSE OF REPRESENTATIVES

SEPTEMBER 22, 2016

STATEMENT FOR THE RECORD

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ASSISTANT DEPUTY COMMISSIONER
OFFICE OF RETIREMENT AND DISABILITY POLICY
SOCIAL SECURITY ADMINISTRATION

Chairman Meadows, Ranking Member Connolly, and Members of the Subcommittee:

Thank you for inviting me to discuss our efforts to reduce improper payments each year and our compliance with the Improper Payments Elimination and Recovery Act of 2010 (IPERA), as well as our role in supporting the Treasury's Do Not Pay Business Center. I am Marianna LaCanfora, Assistant Deputy Commissioner for Retirement and Disability Policy. I am also the Chair of SSA's Improper Payments Oversight Board.

We take our responsibility to reduce improper payments very seriously. As good stewards of our resources and taxpayer funds, we remain focused on the integrity of our programs and minimizing improper payments, which include both paying too much and paying too little. We balance these program integrity responsibilities with our commitment to serve the public and issue timely benefits. In addition, we strongly support the Federal Government's efforts to reduce improper payments through the Department of Treasury's Do Not Pay initiative.

Program Overview

We administer the Old-Age, Survivors, and Disability Insurance (OASDI) program, commonly referred to as "Social Security." Social Security is a social insurance program, under which workers earn coverage for retirement, survivors, and disability benefits by working and paying Social Security taxes on their earnings.

We also administer the Supplemental Security Income (SSI) program, which provides monthly payments to people with limited income and resources who are aged, blind, or disabled. Adults and children under the age of 18 can receive payments based on disability or blindness. General tax revenues fund the SSI program.

Few government agencies touch as many people as we do. Social Security pays monthly benefits to more than 60 million individuals, consisting of 40 million retired workers and 3 million of their spouses and children; 9 million workers with disabilities and 2 million dependents; and 6 million surviving widows and widowers, children, and other dependents of deceased workers. During fiscal year (FY) 2016, we expect to pay more than $906 billion to Social Security beneficiaries. In addition, in FY 2016, we expect to pay about $59 billion in Federal benefits to over 8 million SSI recipients. In carrying out these programs, we are among the most efficient and effective agencies in the Federal Government—our discretionary administrative costs represent about 1.3 percent of benefit payments that we pay under the OASDI and SSI programs.

Program Integrity

Improving program integrity is one of our top priorities. We have demonstrated throughout the years that we are effective stewards of our program dollars, and have made great strides in minimizing improper payments. We have long used a robust review process to measure the quality of our payments and identify the major causes of payment errors in our programs. This allows us to focus our efforts on the key initiatives that address the root causes of these errors.

For FY 2015—the last year for which we have complete data—our quality reviews show that approximately 99.6 percent of all the OASDI dollars we paid were free of overpayment, and nearly 99.9 percent were free of underpayment.[1]

That same year, we also achieved high levels of payment accuracy in the SSI program despite the inherent complexities (described below) in calculating monthly payments due to beneficiaries' changes in income, resources, and living arrangements. For FY 2015, 93.9 percent of all SSI benefit dollars we paid were free of overpayment, and over 98.6 percent were free of underpayment. While year-to-year changes are not statistically significant, this overpayment accuracy rate is our highest measured rate since FY 2003, while our underpayment accuracy rate is our highest since FY 2005**.**

I will discuss below what we have done and what we are planning to do to improve SSI program integrity. First, I want to highlight two of our most successful program integrity measures for which we receive special dedicated funding—our continuing disability reviews[2] (CDRs) and SSI non-medical redeterminations that save billions of dollars.

Medical CDRs are periodic reevaluations to determine if beneficiaries continue to meet the eligibility requirements to qualify for benefits, and SSI redeterminations are periodic reviews of non-medical factors of eligibility, such as income and resources. Please note that changes in benefits that result from CDRs do not necessarily mean that SSA was making improper payments. Rather, these activities ensure that beneficiaries continue to meet the eligibility requirement to receive payments. Dedicated program integrity funding, including the cap adjustment amounts authorized in the *Bipartisan Budget Act of 2015*, allows us to work down our backlog of CDRs and helps prevent its recurrence over the next 10 years.

With the program integrity funding provided to us in FY 2015, we completed approximately 799,000 full medical CDRs and approximately 2.267 million redeterminations. In FY 2016, we are in progress to successfully meet our target to conduct 850,000 full medical CDRs and 2.5 million redeterminations. We will continue the commitments of our important program integrity work on CDRs and redeterminations with full funding of the FY 2017 President's Budget request. Current estimates indicate that medical CDRs conducted in FY 2017 will yield a return on investment (ROI) of about $8 on average in net Federal program savings over 10 years per $1 budgeted for dedicated program integrity funding, including Old-Age, Survivors, and Disability Insurance; SSI; Medicare; and Medicaid program effects. Similarly, we estimate that non-medical SSI redeterminations conducted in FY 2017 will yield a ROI of about $3 on average of net Federal program savings over ten years per $1 budgeted for dedicated program integrity funding, including SSI and Medicaid program effects.[3]

For our Social Security disability insurance (DI) program, we also conduct work CDRs, which

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[1] For a discussion of the primary reasons for improper payments in the OASDI program, and our efforts to reduce such payments, see The Social Security Administration's Agency Financial Report (AFR) for Fiscal Year (FY) 2015 (pp. 174-177, 184-191), available at https://www.ssa.gov/finance.

[2] We conduct medical CDRs on both SSI and DI cases.

[3] Using PB 2017 Budget Assumptions.

evaluate a beneficiary's work activity to determine continued eligibility for benefits. In FY 2014, we completed about 250,000 work CDRs for DI beneficiaries.

In addition, as required under the Social Security Act, we conduct pre-effectuation reviews of at least half of all initial and reconsideration allowances for DI and SSI adult disability benefits. For every dollar spent in FY 2014 on these reviews, we estimate a lifetime savings of $11 in DI and SSI benefits.

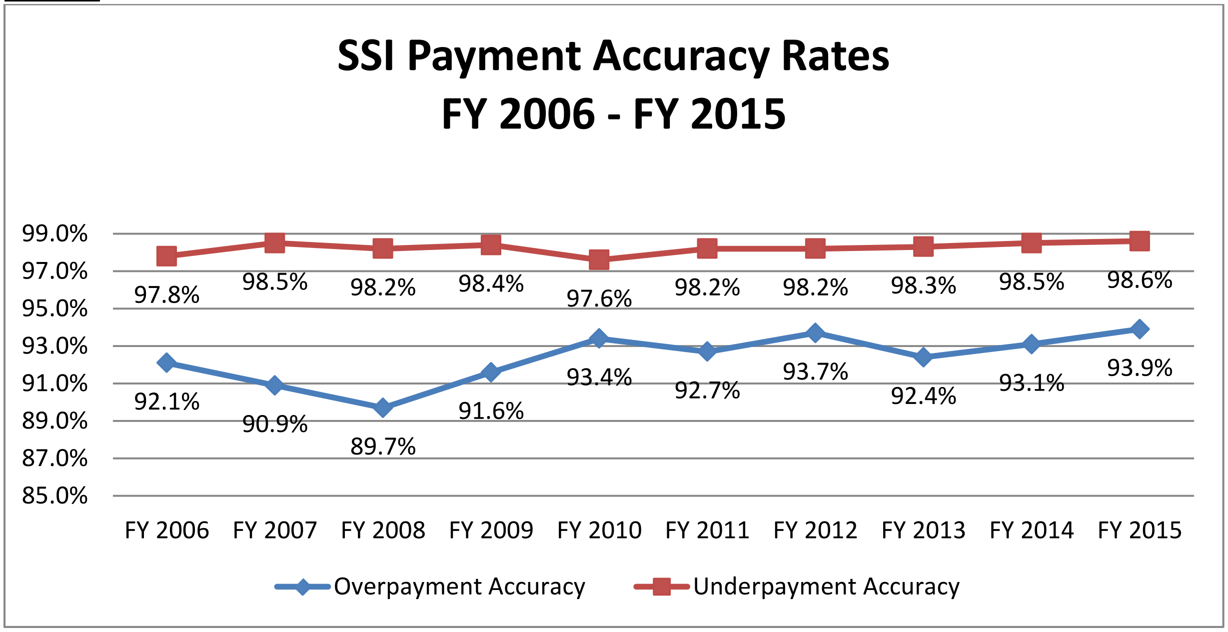
Payment Accuracy in the SSI Program

Our greatest payment accuracy challenge is the SSI program. SSI is a means-tested program for individuals who are blind, disabled, or aged and have limited income and resources. The SSI program is complex, requiring us to consider many factors every month—including income, resources, and living arrangements—in deciding whether a beneficiary is eligible and how much his or her monthly benefit should be. These factors can and often do change, and improper payments occur when recipients or deemors[4] (or representative payees reporting on their behalf) fail to report changes on time in any of these factors, which is one of the biggest causes of payment errors. Furthermore, even if an SSI payment is correct when paid at the beginning of the month, a change that occurs later in the month, even if reported on time, can result in a beneficiary being overpaid or underpaid for that month. For example, a beneficiary who works may receive a bonus or overtime pay during a month, which may result in ineligibility for that month. In other words, the program's responsiveness to changing circumstances makes it prone to payment errors.

Due in large part to these complexities, which are inherent in the design of any means-tested program, the improper payment rate in the SSI program has been consistently higher than that of the OASDI program (where payment accuracy has exceeded 99 percent for many years). Chart 1 shows the payment accuracy rates for the SSI program for FY 2006 through 2015.

[4] A "deemor" is someone (such as a parent or spouse) whose income and resources we consider in determining an SSI applicant's or recipient's eligibility and payment amount.

Chart 1



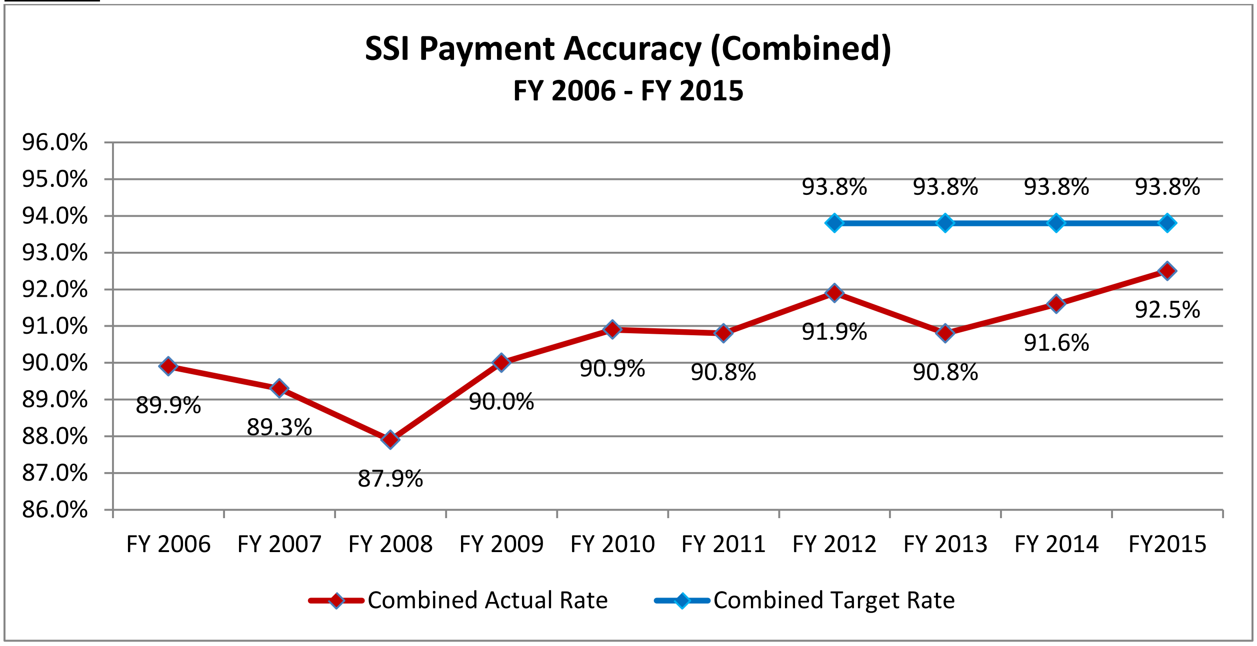
Notes: While year-to-year changes are not statistically significant, the increase in overpayment accuracy from FY 2008 to FY 2015 is statistically significant.

Regardless of these challenges, we remain committed to simplifying the SSI program, and we are exploring ways to do this in a fair and equitable manner. Further, as discussed below, we have developed some legislative proposals that would enhance our ability to prevent improper payments in the SSI program.

Following OMB's guidance,[5] we established reduction targets for improper payment levels. For FY 2012 through the present, our reduction targets for each year have been ambitious: underpayment error of less than 1.20 percent and overpayment error of less than 5.00 percent — i.e., a combined accuracy rate of 93.8 percent. As Chart 2 shows, this target accuracy rate is considerably higher than the actual accuracy rates for the SSI program over the past ten years. Nevertheless, we selected this rate to demonstrate our commitment to further our strategic goal of reducing improper payments, and we developed a number of strategies (described in the next section) that should, in time and with adequate funding, continue to measurably reduce the improper payment rate for the SSI program.

[5] Office of Management and Budget M-15-02, Appendix C to Circular No. A-123, *Requirements for Effective Estimation and Remediation of Improper Payments*, Oct. 20, 2014.

Chart 2



Notes: The combined accuracy rate for a given year may not equal the sum of the accuracy rates in Chart 1 due to rounding. Furthermore, while year-to-year changes are not statistically significant, the increase in the accuracy from FY 2008 to FY 2015 is statistically significant.

While the accuracy rate in the SSI program generally has increased from FY 2009 to FY 2014, we have not yet met the target of a 93.8 percent accuracy rate. FY 2014 is the third consecutive year for which we reported that the SSI program did not meet the target rate. Accordingly, our OIG determined that the SSI program was noncompliant with IPERA for failing to meet our reduction targets for improper underpayments and overpayments. On June 3, 2016, as required under IPERA, we submitted our remediation plan to Congress (attached);[6] some elements of which are described below.

Corrective Actions for SSI Improper Payments

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

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

Described below are some of our recent efforts to implement initiatives that would address these primary causes of improper payments. For a broader discussion of our current initiatives,

[6] We also submitted this remediation plan to Chairman Chaffetz of the House Oversight and Government Reform Committee.

see [The Social Security Administration's Agency Financial Report (AFR) for Fiscal Year (FY) 2015](https://www.ssa.gov/finance),[7] and our June 3 remediation plan.

Financial Accounts

In the SSI program, when an applicant, recipient, or deemor has financial accounts with values exceeding the allowable resource limits, these accounts may result in periods of SSI ineligibility. Historically, resources in financial accounts that exceed the allowable resource limits are the leading cause of SSI overpayment errors. In FY 2015, over 99 percent of the financial account overpayments were caused by the failure of the beneficiary or his or her representative to report either ownership of an account or an increase in the value of a financial account we already know about.

However, we have made strides to combat this cause of improper payments through implementing the Access to Financial Institutions (AFI) program.[8] AFI is an automated process through which we verify alleged bank account balances with financial institutions to identify potential excess resources in financial accounts held by SSI applicants, recipients, and deemors. We reduce SSI improper payments resulting from excess resources held in financial institutions by using the AFI electronic process on initial claims and redeterminations (i.e., a review of a recipient's non-medical eligibility factors such as income and resources to determine continued eligibility and payment amount). In FY 2014, we expanded our use of AFI to cover more SSI initial claims and redeterminations.

Wages

For the past decade, wage discrepancies have been a leading cause of SSI overpayment and underpayment errors. Wage discrepancies occur when recipients or deemors have actual wages that differ from the wage amount used to calculate the SSI payment. We rely on individuals to self-report wages to us on time, but we know that many fail to report soon enough to prevent an improper payment; our quality reviews have shown that over 98 percent of the wage-related overpayment errors are because a recipient failed to report a change in his or her wages.

Over the years, we have implemented initiatives that allow individuals to more timely report wages. For instance, in FY 2008, we implemented SSI telephone wage reporting, which allows recipients, representative payees, and deemors to report prior monthly gross wages via an automated telephone system. In FY 2013, we implemented a similar initiative involving mobile wage reporting through smartphones. In FY 2015, we processed 453,842 successful wage reports through our smartphone wage reporting application and 441,763 through our automated telephone system. These reports are important because we generally receive them in time to prevent improper payments.

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[7] Available at https://www.ssa.gov/finance (pp. 192-199).

[8] The AFI program was made possible by the *Foster Care Independence Act of 1999*, which contained a provision requiring SSI applicants and recipients to provide their authorization to obtain all financial records from all financial institutions as a condition of SSI eligibility.

However, as we recognized that telephone and mobile reporting continued to rely on recipients and others to self-report wage information, we also sought other means to increase our access to timely wage information. Consequently, through the President's FY 2016 Budget (which was submitted in February 2015), we submitted a legislative proposal to Congress that would allow us to use commercial databases and payroll provider information to verify wages in the SSI program. The proposal would reduce improper payments by authorizing SSA to conduct data matches with private commercial databases and payroll providers, and use that information to automatically increase or decrease benefits accordingly. Congress enacted a provision similar to our proposal in the *Bipartisan Budget Act of 2015* (section 824).[9] We are excited about this provision as we anticipate that it will allow us to make meaningful reductions in SSI and DI overpayments, and we are working to begin accessing private wage data; we plan to implement in late calendar year 2017. We will issue a Request for Proposal later this year, and we expect to begin using the authority provided under section 824 beginning in the latter half of 2017.

<u>Other Real Property</u>

SSI ineligibility may result if a recipient owns real property other than his or her principal place of residence (referred to as "non-home real property"), and the equity value exceeds the resource limit. For the five-year period from FY 2011 through FY 2015, our stewardship reviews identified average projected overpayments of $262 million per year resulting from undisclosed real property. We currently rely on the applicant or recipient to report ownership of non-home real property.

In 2013 and 2014, we tested the viability of using commercial data providers (e.g., LexisNexis/Accurint) to identify undisclosed real property. In FY 2017, we plan to integrate third-party non-home real property data with SSI systems for use during initial claims and redetermination interviews.

<u>Other Corrective Actions</u>

We have made enhancing quality and improving payment accuracy one of our critical goals. As I mentioned, I chair SSA's Improper Payments Oversight Board, which serves as an in-house clearinghouse and oversight body over our many program integrity-related initiatives.

We must move away from a model that relies on beneficiaries to report changes that affect benefits to one where we use reliable data to learn about these changes directly. In addition to the initiatives I previously mentioned, SSA also conducts data sharing, which is an effective and efficient method of providing accurate and timely payments. One of our strategic goals is to increase payment accuracy by expanding the use of data exchanges to produce a more efficient and accurate process for obtaining information that may affect benefits. We are constantly looking for and evaluating new sources of reliable data to reduce improper payments while also reducing the burden on beneficiaries to report information to us. In addition, we created and are leading a Federal Data Exchange Community of Practice, with more than 30 Federal departments

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[9] In enacting section 824, Congress also provided us the authority to use payroll provider information in the DI program. In addition, section 826 of the *Bipartisan Budget Act of 2015* required us to develop electronic means through which DI beneficiaries may report wages to us.

and agencies, that develops a collective knowledge base; finds common solutions to data exchange challenges; identifies cross-organizational solutions; resolves problems; shares best practices; and builds a network of Federal data exchange partners.

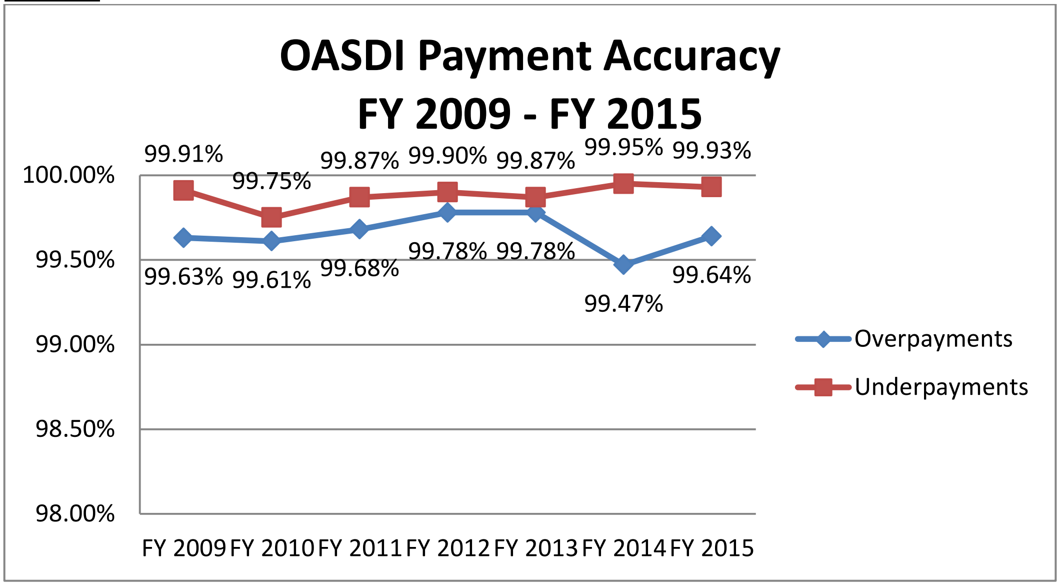
We are also looking at efforts across the Federal sector to address improper payments. Late last year, we established an Improper Payment Community of Practice, modeled after the Federal Data Exchange Community of Practice. Our goal was to bring together colleagues, identify common challenges, find opportunities to synchronize our efforts, and establish a forum for learning across government. We held our first meeting in January – and the community has now expanded to include nine Federal benefit-paying agencies.

In addition, we have established a new component within SSA – the Analytics Center of Excellence within the Office of the Chief Strategic Officer – to help answer key business questions to determine the effectiveness of our improper payment prevention and reduction efforts. Capturing real-time data and building more meaningful metrics will help us infuse data-driven decision-making throughout our processes, allowing us to focus our efforts on those projects or initiatives that yield the most promise.

Payment Accuracy in the OASDI Program

Our OASDI program has very high payment accuracy. As Chart 3 shows, the overpayment and underpayment accuracy rate for this program, both separately and combined, has been over 99 percent for a number of years.

Chart 3



Nevertheless, as with the SSI program, we selected ambitious accuracy rate goals to demonstrate our commitment to further our strategic goal of reducing improper payments. In reviewing our FY 2015 AFR, our IG found us not compliant with improper payment requirements because we did not achieve our target overpayment accuracy rate for FY 2014 of 99.80 percent. Our actual overpayment accuracy rate for that year was 99.47 percent.[10] Pursuant to IPERA, in response to the IG's finding, we sent the attached report to the Congress on August 3, 2016.

Our quality reviews show that the main causes of OASDI improper payments on average over the last five fiscal years were: (1) DI benefits not correctly adjusted when beneficiaries have earnings above the "substantial gainful activity" (SGA) level, (2) benefits not correctly adjusted when beneficiaries also receive a pension based on earnings that were not covered by Social Security (also known as the "Windfall Elimination Provision" or WEP), and (3) benefits not correctly adjusted when spousal beneficiaries[11] also receive a pension based on government service that was not covered by Social Security (also known as the "Government Pension Offset" or GPO).

As explained in our report, we continually improve our process to ensure that we timely update beneficiaries' earnings. For example, we recently improved our reviews of beneficiaries' work activity by incorporating information from the National Directory of New Hires. We are also implementing two provisions of the *Bipartisan Budget Act of 2015* (Public Law 114-74) that we expect will improve our ability to more timely update our records with information concerning DI beneficiaries' earnings.

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[10] The attached OASDI remediation plan provides that the overpayment error rate in FY 2014 was .36 percent (i.e., an accuracy rate of 99.64 percent) and the underpayment error rate was .07 percent (i.e., an accuracy rate of 99.93 percent). However, these were the rates for FY 2015. The overpayment accuracy rate for FY 2014 was as provided in the paragraph above, and the underpayment accuracy rate was 99.95 percent (i.e., an error rate of .05 percent).
[11] This includes people who receive spouses' benefits based on the earnings of a living worker, as well as widows and widowers who receive benefits based on the earnings of a deceased worker.

We are also in the process of implementing a corrective action plan that we developed to mitigate improper payments caused by WEP and GPO. Our plan includes critical training to ensure that staff process WEP and GPO cases consistent with our policies, as well as solutions that address the underlying causes of these errors. These solutions include obtaining new sources of non-covered pension data, improving our automation, and clarifying our policies and instructions. Furthermore, the President's Budget for FY 2017 includes a legislative proposal that would improve administration of the WEP and GPO by providing access to non-covered pension information from the States in the near-term and, in the long-term, modifying the WEP and GPO so the reduction in benefits would be based on the non-covered earnings information we already have in our records.

Debt Collection

In addition to our efforts to prevent and detect improper payments, we have a comprehensive debt collection program to recover improper payments (and other debts). We collected $3.363 billion in OASDI and SSI benefit overpayments in FY 2015 at an administrative cost of $0.07 for every dollar recovered. We collected $16.6 billion over a five-year period (FY 2011 through FY 2015). We recognize that as our benefit rolls increase and beneficiaries receive cost of living adjustments, our debt balance has grown. Therefore, we see a balanced approach to pursue corrective actions to prevent improper payments and continue to enhance our debt collection program. To recover overpayments, we use internal debt collection techniques (i.e., payment withholding, billing, and follow-up), as well as external collection techniques authorized by the *Debt Collection Improvement Act of 1996* for OASDI debts and the *Foster Care Independence Act of 1999* for SSI debts.

Treasury's Do-Not-Pay Business Center

The Department of the Treasury's Do Not Pay Business Center is an important part of the Administration's efforts to prevent, reduce, and stop improper payments while protecting citizens' privacy. By using the portal, Federal agencies can carry out a review of available databases with relevant information on eligibility before they release any Federal funds.

We collect information from Federal, State, and local entities to provide us with information we need to stop benefits or to change the amount of benefits we pay. For example, we have about 2,300 data exchanges with prisons that allow us to collect the information we need to suspend benefits to prisoners quickly and efficiently.[12] We are also working closely with Treasury's Bureau of Fiscal Service to provide prisoner information to the Internal Revenue Service.

In addition, we collect information about deaths to administer our programs. We post about 2.7 million new reports of death each year, and our records are highly accurate. These reports come to us primarily from family members, funeral homes, financial institutions, and States. This information, along with other information that we collect, allows us to stop paying benefits to a deceased beneficiary and establish benefits for survivors. For instance, in FY 2015, we used this

[12] We also have a proposal before Congress to adjust the incentive payments that we are allowed to provide to prisons, ensuring that we receive this information in a timely fashion, and thus preventing improper payments.

death information, along with prisoner information and other data, to stop payments of $640.8 million in the OASDI program.

Of note, under current law, we are not authorized to provide the death information we receive from the States to the Do Not Pay Business Center. The FY 2017 President's Budget includes a legislative proposal that would further protect Federal payments by granting us legal authority to share all our death information, including data from the States, with the Do Not Pay Business Center.

Need for Adequate and Sustained Funding

Before concluding, let me emphasize that we need adequate, sustained funding to carry out our important program integrity and stewardship, while also ensuring adequate levels of service to beneficiaries and claimants. We are working hard to manage the agency with far less money than we need – our FY 2016 enacted budget was around $350 million less than the President's request. Consequently, we have been forced to constrain every aspect of the budget including hiring, overtime, and information technology, and we are seeing service degradation in many areas. Service delays are causing hardships for our most vulnerable citizens, who are at an increased risk of both homelessness and disability. Of great concern is the hearings backlog, but we are also dealing with an unprecedented backlog in our program service centers, where we handle a lot of the work that leads to fewer improper payments.

That being said, we are greatly concerned about FY 2017, when we will serve a record number of beneficiaries. People are already facing longer wait times for service on our National 800 Number, in our frontline offices, and for decisions on disability hearings. With services already in a fragile state, additional funding constraints in FY 2017 would put our services at greater risk of long-term damage. It is pivotal that we get a funding level that allows us to rebound from this year's constraints and to improve service to the public. The President's Budget request of $13.067 billion will do so. The President's Budget will allow us to increase our program integrity efforts while improving service for the millions of people who depend on us.

Conclusion

We appreciate the Subcommittee's interest in our efforts to maintain high payment accuracy rates and to further our efforts to lower improper payments, especially in the SSI program. The SSI accuracy rate has been improving over the past couple of years, and FY 2015 saw the highest SSI overpayment accuracy in over a decade. This progress is only possible through adequate and sustained funding. We are working to implement the payroll provider provision in the *Bipartisan Budget Act of 2015*, and to carry out other initiatives designed to reduce improper payments in the SSI and OASDI programs. Further, we will continue to work with the Congress and the Treasury to support the Do Not Pay Business Center. Thank you for inviting me to testify. I would be happy to answer any questions.

Enclosure – 1 – The Honorable Jason Chaffetz

Social Security Administration

Improper Payments Elimination and Recovery Act

Supplemental Security Income Remediation Plan

June 3, 2016

Social Security Administration
Improper Payments Information Act Compliance Report

Background

The Improper Payments Information Act (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires agency Inspectors General (IG) to review the annual Agency Financial Report (AFR) and accompanying materials of the most recent fiscal year (FY) to determine compliance with improper payments reporting. For programs that are not compliant for 1 year, within 90 days of the determination of non-compliance, the agency shall submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and the Office of Management and Budget (OMB) that describes the actions the agency will take to become compliant. The IPIA and OMB implementing guidance (OMB Circular A-123, Appendix C) require the plan to include:

- Measurable milestones to be accomplished to achieve compliance for each program or activity;
- The designation of a senior agency official who shall be accountable for the progress of the agency in coming into compliance for each program or activity; and
- The establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the senior agency official in leading agency efforts to achieve compliance for each program and activity.

If an agency is not compliant for two consecutive years, as part of developing the President's Budget, OMB will determine if additional agency funding would assist with IPERA compliance and if so, the agency head would be required to obligate additional funds—in an amount determined by OMB—for intensified compliance efforts.

For agencies that are not compliant for three consecutive fiscal years, within 30 days of the determination, the agency must submit to Congress:

- Reauthorization proposals for each program or activity that has not been in compliance for three or more consecutive fiscal years; or
- Proposed statutory changes necessary to bring the program or activity into compliance.

Our IG's report[1] found that our Supplemental Security Income (SSI) program was not compliant with the improper payment requirements, because we failed to meet our annual reduction targets for FY 2014 (i.e., projected error rates, as reported in our FY 2015 AFR).

FY 2015 is the third consecutive year our IG determined that the SSI program was noncompliant with IPERA for the same reason, failure to meet our reduction targets for both improper underpayments and overpayments. Our annual reduction target for FY 2014 was 1.20 percent for improper underpayments and 5.00 percent for overpayments. The actual error rates for improper underpayments and overpayments were 1.48 percent and 6.95 percent, respectively. The rates noted above are from our FY 2014 payment accuracy review.

SSI Payment Accuracy			
AFR Year	**FY 2013**	**FY 2014**	**FY 2015**
Underpayment Error	1.78%	1.66%	1.48%
Underpayment Error Target	≤1.20%	≤1.20%	≤1.20%
Overpayment Error	6.34%	7.57%	6.95%
Overpayment Error Target	≤5.00%	≤5.00%	≤5.00%

This report addresses the OMB requirements for agencies that are not compliant for three consecutive years for the same program or activity.

SSI Program

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

SSI is a means-tested program for individuals with limited income and resources that are blind, disabled, or aged. This program is complex and fluctuations in monthly income, resources, and living arrangements can affect eligibility and monthly payment amounts. Improper payments often occur if recipients (or their representative payees on their behalf) or deemors[2] fail to report changes on time in any of these factors (e.g., an increase of their resources or a change in their

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[1] The Social Security Administration's (SSA) Compliance with the *Improper Payments Elimination and Recovery Act of 2010* in the Fiscal Year 2015 Agency Financial Report: https://oig.ssa.gov/audits-and-investigations/audit-reports/A-15-16-50133.

[2] Individuals such as a parent or spouse whose income and resources are considered in determining an applicant's or recipient's eligibility and payment.

wages). Failure to report such changes is the primary cause of both overpayment and underpayment errors.

Actions to Address Not Meeting the SSI Improper Payment Targets for the Third Consecutive Year

1. Reauthorization proposals for each (discretionary) program or activity that has not been in compliance for three or more consecutive fiscal years.

   We finance SSI benefits from the general funds of the United States Treasury. The SSI program is not a discretionary program; therefore, reauthorization proposals are not applicable.

2. Proposed statutory changes necessary to bring the program or activity into compliance.

   Our payment accuracy review findings over the last five years, FYs 2010-2014, show that the major causes of overpayments in the SSI program are as follows:

   - Financial accounts (e.g., bank savings or checking accounts, or credit union accounts balances in excess of the allowance resource limits);

   - Wages;

   - In-Kind Support and Maintenance; and

   - Other real property (i.e., ownership of non-home real property).

   We collaborated closely with OMB to develop our legislative proposals for FY 2017. While there are no SSI proposals requesting statutory changes for eligibility requirements of the SSI program, the following proposals will address the major causes of SSI overpayments and prevent improper payments.

   Below are our legislative proposals to prevent improper SSI payments as presented in the FY 2017 President's Budget but are dependent on adequate funding to implement.

   Move from Annual to Quarterly Wage Reporting

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

Government-Wide Use of Customs and Border Patrol Entry and Exit Data to Prevent Improper Payments

U.S. Customs and Border Protection (CBP) maintains data on when some individuals enter and exit the United States. This entry and exit information may be useful in preventing improper payments in Federal programs that require U.S. residency to receive benefits, including the SSI program. This proposal would provide for the use of CBP entry/exit data to prevent improper payments.

Allow SSA to Use Commercial Databases to Verify Real Property Data in the SSI Program

This proposal would reduce improper payments by authorizing SSA to conduct data matches with private commercial databases that maintain data on ownership of real property (i.e., land and buildings), which can be a countable resource for SSI beneficiaries. The proposal would authorize SSA to use that information to determine automatically eligibility for benefits, after proper notification. Beneficiaries would be required to consent to allow SSA to access these databases as a condition of benefit receipt. We would preserve all other current due process and appeal rights.

In addition to our ongoing efforts related to preventing improper payments, on November 2, 2015, the President signed the Bipartisan Budget Act of 2015 (BBA). Two provisions of the BBA will support us in our efforts to prevent SSI improper payments.

Section 815 – Change to Cap Adjustment Authority

The change to our cap adjustment authority was effective upon enactment of the BBA. This section adds costs of Cooperative Disability Investigation Units, fraud prosecutions by U.S. Attorneys, and work-related continuing disability reviews (CDR) for Disability Insurance (DI) beneficiaries to the activities covered by the discretionary spending cap adjustments for SSA program integrity and adjusts discretionary spending limits for FYs 2017 - 2021.

Section 824 - Use of Electronic Payroll Data to Improve Program Administration

This provision permits us to establish information exchanges with payroll data providers to obtain wage data to efficiently administer the DI and SSI programs and prevent improper payments. It also authorizes SSA to obtain permission from claimants to obtain payroll data. We currently obtain and use payroll data on a one-off, query-only basis. This new law allows us to receive wage data in a batch format and use it without further verification. We will continue to provide due process before affecting benefits or payment amounts.

We expect this provision to be significant in terms of payment accuracy. Errors or omissions in wages are the second leading cause of overpayments for SSI. Obtaining data from payroll data providers, in addition to efforts to improve wage reporting, supports the improper payments agency priority goal and the work of the Improper Payment Oversight Board.

We will fully meet our obligations under the law by implementing a process to:

- Obtain authorization from DI and SSI applicants, beneficiaries, or recipients to contact payroll data providers for wage information;
- Electronically store authorizations and issue the individual a printed confirmation of consent allowing SSA to contact payroll data providers;
- Receive payroll data from an automated data exchange batch match between SSA and the payroll data provider(s);
- Automatically post wages to the individual's record in time to prevent an improper payment (SSI only);
- Automatically notify and suspend benefits for individuals who are above the income limits (SSI only) using SSI current business rules; and
- Incorporate the earnings data into the CDR enforcement operation for DI.

We must prescribe regulations one year after enactment of the BBA (by November 2016), and amendments take effect one year after the date of enactment of the BBA. We fully expect to publish regulations by November 2016, but we do not expect to implement until late 2017.

Improper Payments Elimination and Recovery Act
Supplemental Security Income Remediation Plan
Executive Summary
May 24, 2016

Every year the Inspector Genèral (IG) conducts a compliance review of our Improper Payments Information Detailed Report in our *Agency Financial Report* (AFR). The Improper Payments Elimination and Recovery Act (IPERA) requires that we issue a report to the appropriate congressional committees if the IG finds us to be in noncompliance.

On May 5, the IG issued its final report on our compliance with IPERA in the fiscal year (FY) 2015 AFR. Since we did not meet our FY 2013, 2014, and 2015 payment reduction targets for the Supplemental Security Income (SSI) program, we prepared the proposed remediation plan and related letters to the Chairmen and Ranking Members of the Senate Committee on Homeland Security and Governmental Affairs and House Oversight and Government Reform Committees. As required by IPERA, since we are noncompliant for three consecutive fiscal years, our plan must contain the following:

- Reauthorization proposals for each program or activity that has not been in compliance for three or more consecutive fiscal years; or
- Proposed statutory changes necessary to bring the program or activity into compliance.

In the proposed plan, we indicate that reauthorization proposals are not applicable in this case, since we finance SSI benefits from the general funds of the United States Treasury. We also outline the major causes of overpayments in the SSI program (financial accounts in excess of the allowable resource limits, wages, in-kind support and maintenance; and ownership of non-home real property), and discuss the legislative proposals in the FY 2017 President's Budget aimed at preventing improper SSI payment.

The component members of the Improper Payment Oversight Board reviewed the proposed plan (DCRDP, DCDAR, DCO, DCS, OCACT, and OCSO). The Office of Legislation and Congressional Affairs (DCLCA) reviewed the congressional letters.

Our plan is due to Congress 30 days after the IG issued its final report. As a result, our report is due June 3. After the agency releases the congressional letters, we will send a copy of the plan to Shaun Donovan, Director, Office of Management and Budget, and Gale Stone, Acting IG.

Social Security Administration

Improper Payments Elimination and Recovery Act

Old-Age, Survivors, and Disability Insurance

Remediation Plan

August 3, 2016

Social Security Administration
Improper Payments Information Act Compliance Report

Background

The Improper Payments Information Act (IPIA), as amended by the Improper Payments Elimination and Recovery Act of 2010 (IPERA), requires agency Inspectors General (IG) to review the annual Agency Financial Report (AFR) and accompanying materials of the most recent fiscal year (FY) to determine compliance with improper payments reporting. For programs that are not compliant for 1 year, within 90 days of the determination of non-compliance, the agency shall submit a plan to the Senate Committee on Homeland Security and Governmental Affairs, the House Committee on Oversight and Government Reform, and the Office of Management and Budget (OMB) that describes the actions the agency will take to become compliant. The IPIA and OMB implementing guidance (OMB Circular A-123, Appendix C) require the plan to include:

- Measurable milestones to be accomplished to achieve compliance for each program or activity;
- The designation of a senior agency official who shall be accountable for the progress of the agency in coming into compliance for each program or activity; and
- The establishment of an accountability mechanism, such as a performance agreement, with appropriate incentives and consequences tied to the success of the senior agency official in leading agency efforts to achieve compliance for each program and activity.

If an agency is not compliant for two consecutive years, as part of developing the President's Budget, OMB will determine if additional agency funding would assist with IPERA compliance and if so, the agency head would be required to obligate additional funds—in an amount determined by OMB—for intensified compliance efforts.

For agencies that are not compliant for three consecutive fiscal years, within 30 days of the determination, the agency must submit to Congress:

- Reauthorization proposals for each program or activity that has not been in compliance for three or more consecutive fiscal years; or
- Proposed statutory changes necessary to bring the program or activity into compliance.

Results of the Inspector General's Review

Our IG's report[1] found that our Old-Age, Survivors, and Disability Insurance (OASDI) program was not compliant with the improper payment requirements, because we failed to meet our FY 2014 0.20 percent overpayment error target (i.e., projected error rates, as reported in our FY 2015 AFR). Our actual error rate for improper overpayments was 0.36 percent. For OASDI underpayments, we exceeded our FY 2014 improper underpayment error target of 0.20 percent. Our actual underpayment error rate was 0.07 percent.[2]

Because we failed to meet our FY 2014 overpayment error target, as reported in our FY 2015 AFR, FY 2015 begins the noncompliant cycle.

This report addresses the activities required by OMB guidance for agencies that are not compliant for one fiscal year, and discusses our actions to become compliant with the improper payment reduction targets.

OASDI Program

The Old-Age and Survivors Insurance (OASI) program provides retirement and survivors benefits to qualified workers and their families. Social Security Disability Insurance (DI) provides benefits to people who cannot work because they have a medical condition expected to last at least one year or result in death.

The increase in our FY 2014 overpayment error rate was caused by an increase in improper payments due to substantial gainful activity (SGA), the Windfall Elimination Provision (WEP), and Government Pension Offset (GPO).[3] We are committed to reducing improper payments resulting from SGA, WEP, and GPO. Balancing our investments across our responsibilities to improve service and our stewardship workloads to prevent improper payments is a top priority. We continually evaluate and explore ways to enhance our corrective actions to prevent or detect improper payments.

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[1] The Social Security Administration's Compliance with the *Improper Payments Elimination and Recovery Act of 2012* in the Fiscal Year 2015 Agency Financial Report: https://oig.ssa.gov/audits-and-investigations/audit-reports/A-15-16-50133

[2] We derive our overpayment and underpayment error rates from our FY 2014 annual payment accuracy reviews, as reported in our FY 2015 AFR.

[3] A definition of SGA is available at: www.socialsecurity.gov/oact/cola/sga.html. A definition of WEP is available at: www.socialsecurity.gov/pubs/10045.html. A definition of GPO is available at: www.ssa.gov/pubs/EN-05-10007.pdf

OASDI Program – Remediation Plan

1. Measurable milestones to be accomplished to achieve compliance for each program or activity:

   SGA-Related Initiatives

   For SGA, we continually enhance our corrective actions to ensure the timely processing of beneficiaries' earnings. In January 2016, we signed a new computer matching agreement with the Office of Child Support Enforcement that allows us to obtain quarterly wage data from the National Directory of New Hires (NDNH). We developed a new business process called *Work Smart*, which builds on our current continuing disability review enforcement operation (CDREO) by integrating quarterly work CDR alerts based on the quarterly NDNH earnings data. We receive quarterly alerts up to one year earlier than the current CDREO alerts, meaning we learn of unreported work more quickly and reduce work related overpayments. The CDREO process will remain unchanged and will still generate the results from three systems runs annually to ensure we capture all earnings that are reported in the NDNH data (e.g., self-employment earnings). To avoid duplicating work CDR alerts based on the different sources of earnings, we developed a national screening program to remove cases that have an open or recently closed work CDR. *Work Smart* also lays the framework needed to implement Section 824 of the Bipartisan Budget Act (BBA) of 2015 for Social Security DI work CDRs. Under Section 824, we will contract with commercial, third-party payroll providers to obtain monthly wage information in batch form. We will use the same process to incorporate the commercial earnings data into the new *Work Smart* CDR.

   We agreed with an IG audit recommendation to make it a priority to identify cases where we failed to terminate disability payments following medical cessation determinations. In April 2014, we initiated a new computerized selection process to identify medical cessation cases where benefits continued. We are working on corrective actions on all of the cases identified and enhancing our automated solutions to prevent this type of error in the future.

   Section 824 - Use of Electronic Payroll Data to Improve Program Administration

   This provision permits us to establish information exchanges with payroll data providers to obtain wage data to efficiently administer the DI and Supplemental Security Income (SSI) programs and prevent improper payments. Section 824 also authorizes us to obtain permission from claimants to obtain payroll data. We currently obtain and use payroll data on a one-off, query-only basis. This new law allows us to receive wage data in a batch format and use it without further verification. We will continue to provide due process before affecting benefits or payment amounts.

   We expect this provision to be significant in terms of payment accuracy. Errors or omissions in wages are a leading cause of overpayments for DI. Obtaining data from payroll data providers, in addition to efforts to improve wage reporting, supports our improper payments Agency Priority Goal and the work of the Improper Payment Oversight Board (IPOB).

We will fully meet our obligations under the law by publishing regulations. The following activities are necessary to implement Section 824:

- Notify individuals in writing when they become subject to reduced wage reporting requirements and when the reduced wage reporting requirements no longer apply;
- Obtain authorization from DI and SSI applicants, beneficiaries, or recipients to contact payroll data providers for wage information;
- Electronically store authorizations allowing us to contact payroll data providers;
- Receive payroll data from an automated data exchange batch match between our agency and the payroll data provider(s); and
- Incorporate the earnings data into the DI continuing disability review enforcement operation.

We must prescribe regulations one year after enactment of the BBA (by November 2016), and amendments take effect one year after the date of enactment of the BBA. We expect to meet the BBA requirement and publish our regulations by November 2016; however, we do not expect to implement our regulations until late 2017 at the earliest.

Section 825 – Treatment of Earnings Derived from Services

Section 825 allows us to assume that earnings were earned in the month that they were paid. Lacking any other evidence of when the wages were earned, we can apply this assumption for DI post-entitlement SGA decisions. Beneficiaries will have the opportunity to rebut this assumption. The new law is effective upon enactment (November 3, 2016) or as soon as practicable. We plan to implement this change in Fall 2016 when we complete system enhancements.

Prior to the BBA, if we had proof of wages when paid, we had to exhaust attempts to contact a beneficiary or employer to determine when the wages were earned when making a work CDR determination. For our concurrent beneficiaries, we often contacted the employer twice to obtain paid earnings and earnings when earned. This new policy will allow us to use all readily available evidence and make a determination without having to wait for employers to provide us with information on when wages were earned. This will also significantly reduce the burden we place on employers to provide earnings data when earned, since most companies keep earnings data based on when paid.

Section 826 – Electronic Reporting of Earnings

Section 826 of the BBA requires us to implement, by September 30, 2017, a system that permits DI beneficiaries to report their earnings via electronic means, including telephone and internet, similar to the reporting options available to SSI recipients.

Currently, we offer only telephone and mobile wage reporting applications (SSI Telephone Wage Reporting and SSI Mobile Wage Reporting, respectively) to SSI recipients and deemors[4] with a single employer. This process limitation means all DI beneficiaries and SSI recipients and deemors with multiple employers may only submit wage reports in person, by mail, phone, or fax. These methods are inconvenient, may impose a cost, and could lead to delayed reporting or failure to report wages.

WEP/GPO-Related Initiatives

As part of the FY 2017 budget passback, OMB directed us to develop a comprehensive corrective action plan to mitigate improper payments in the administration of the WEP and GPO provisions. Our FY 2014 stewardship report shows that, when combined, WEP and GPO improper payments are the leading cause of OASI improper payments. Therefore, we made WEP/GPO one of our key initiatives to address improper payments.

We propose a multi-pronged approach to address each of the underlying causes of improper payments: 1) pursue new data; 2) enhance automation; 3) clarify policy instructions; and 4) enhance training specific to the more common WEP/GPO errors.

- Pursue New Data

  We are pursuing data exchanges with the top five States in which non-covered workers reside or where the WEP/GPO is most common. The aim is to reduce our dependence on self-reporting by obtaining non-covered pension data directly from the source. We are also modifying the Foreign Enforcement Questionnaire to include questions on the receipt of a non-covered foreign pension.

- Enhance Automation

  We are pursuing a series of systems changes that will automate WEP/GPO calculations and alter the system our technicians use. Our goal is to reduce human error, prompt additional questions of likely non-covered pension recipients to encourage accurate self-reporting, and automate notices to claimants to obtain updated pension information more timely.

[4] Individuals such as a parent or spouse whose income and resources are considered in determining an applicant's or recipient's eligibility and payment.

- Clarify Policy

  We will update and modify policy and process documentation to focus on those areas of WEP/GPO administration that have been the most error prone, such as those individuals dually-entitled to benefits and affected by both WEP and GPO.

- Enhance Training

  We will develop and conduct a series of videos on demand training sessions on WEP and GPO that specifically target the areas where our technicians struggle, such as understanding how non-covered pension payments are distributed to beneficiaries.

We have already begun implementing several of the strategies described above. Some changes, particularly those automation enhancements requiring systems resources, we will need to incorporate into the existing workflow. While we are fully committed to improving our administration of these workloads, we will not complete the systems changes by FY 2016, due to the extensive nature of the changes. These resources are already dedicated to mandatory workloads – primarily the implementation of many provisions within BBA 2015. Even so, we plan to make substantial progress in FY 2016, but the more involved systems changes will occur in FY 2017, and possibly continue into FY 2018 depending on resource constraints.

2. The designation of a senior accountable official to ensure progress to reach compliance for each program or activity:

   The designated senior accountable official for OASDI compliance is:

   - Marianna LaCanfora, Assistant Deputy Commissioner, Office of Retirement and Disability Policy and Chair of our IPOB.

3. Establishment of an accountability mechanism (e.g., performance agreement), with appropriate incentives and consequences tied to the success of the senior agency official in leading agency efforts to achieve compliance for each program and activity:

   Strengthening program integrity throughout the agency is one of our top priorities, and effective FY 2012, we hold each manager accountable for reducing improper payments or strengthening internal controls surrounding improper payments, to comply with IPERA. This responsibility is in his or her annual performance plan and supported by metrics and measureable outcomes.

   We established the IPOB in August 2013 to further our commitment to this effort. The IPOB is comprised of senior executives responsible for defining our agency's approach to, and accountability for, detecting and preventing improper payments.

Marianna LaCanfora
Assistant Deputy Commissioner
for Retirement and Disability Policy

Ms. LaCanfora is the Assistant Deputy Commissioner for Retirement and Disability Policy (ORDP) where she manages a workforce of approximately 600 employees based in Baltimore, MD and Washington, D.C. In this role, she is responsible for all agency program policy, including Social Security Disability Insurance, Supplemental Security Income, Retirement, Medicare, Enumeration, Earnings, International Policy, the Representative Payee Program, Data Exchange, and Improper Payment Prevention efforts. ORDP also oversees the agency's public policy research and demonstration activities, and is responsible for the agency's return to work programs.

Marianna began her career as a bilingual claims representative in the New Haven, CT Field Office working directly with the public to process benefit claims. She later moved to Baltimore and held numerous jobs including analyst in the Office of Quality Assurance, Special Assistant to the Deputy Commissioner of SSA, and Assistant District Manager of the Washington, D.C. District Office.

As an executive, Marianna has held several positions including Associate Commissioner in Operations, where she was responsible for managing the Office of Operations' $400M budget, overseeing systems and physical security, human resources, and business process development for 1,200 field offices nationwide.

Marianna lives with her husband and two young children in Baltimore. She received her Master's in Business Administration from the University of Maryland, University College.