

**Testimony by
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Committee on Ways and Means, Subcommittee on Social Security
in the Hearing entitled
“Protecting Beneficiaries from the Harm of Improper Payments”
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Chairman Ferguson, Ranking Member Larson, and members of the Subcommittee on Social Security, I commend you for holding this important hearing today on Social Security Administration (SSA) improper payments.

The public expects SSA to be accurate in their benefit payments. While perfection is nearly impossible to achieve, improper payments can have a devastating effect on beneficiaries, particularly when the improper payment is the result of an agency error.

Simply put, an overpayment occurs when SSA states an individual received more social security or SSI benefits than they were supposed to receive. In some instances, individuals are sent bills stating they owe thousands of dollars they cannot afford. Many overpayments can accumulate over several years until SSA realizes payments to the beneficiary have been inaccurate. To reclaim overpayments, SSA typically reduces an individual's monthly benefit to the correct amount and then reduces it even further, making it even more difficult for some individuals to survive, especially when they are on a fixed income. One individual recently stated in the media: "It's not right that myself and a significant amount of other citizens are now being demanded to pay back what the SSA admits they made in error."

The other side of this improper payments coin can be just as harmful to beneficiaries. When an agency error results in underpayments, beneficiaries are not receiving their full monthly benefits, sometimes for months or even years. In these cases, when SSA discovers the underpayment, SSA should ultimately make the individual whole and adjust the benefits accordingly. However, during the period they are being underpaid, the beneficiary is deprived of their full payment, which in many cases, can cause economic hardship to those on a limited income. Because of their devastating impact, it is critical for SSA to improve its processes, procedures, and controls to reduce the amount of improper payments.

Reasons for Improper Payments

Improper payments can occur for many reasons, including when SSA does not obtain necessary information from beneficiaries or fails to act on that information once

received. Improper payments also occur when SSA makes mistakes in computing payments due to the complexity of calculations and reliance on manual processes.

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI)¹ and Supplemental Security Income (SSI)² program. SSA issues over \$1 trillion in OASDI benefits and SSI payments to more than 70 million people annually. Therefore, even the slightest error in the overall payment process can result in billions of dollars in improper payments. According to SSA's most recent reports, it estimates it made approximately \$13.6 billion in improper payments in FY 2022: \$11.1 billion in overpayments and \$2.5 billion in underpayments.

Since Fiscal Year 2002, SSA's Office of the Inspector General (OIG) has identified improper payments as a major management challenge. SSA's OIG is committed to identifying ways for SSA to prevent improper payments to the millions of beneficiaries who rely on the Agency to send them their correct monthly benefit amount.

Self-Reporting

One of the most common reasons for improper payments is related to SSA's reliance on beneficiaries to report any change in circumstances that may affect their benefits. Wages and income, resources, and living arrangements are a few of the factors that affect OASDI and/or SSI eligibility and payment amounts.

SSA explicitly informs individuals of their reporting requirements during the application process, in their award letters, and in periodic correspondence. However, beneficiaries do not always comply with or understand their responsibility to report this information. In a [January 2017 audit](#)³ of beneficiaries with multiple earnings-related overpayments, the OIG found over half were repeatedly overpaid because of their failure to comply with SSA's requirement to report earnings.

Improper payments also occur when SSA does not act timely once it receives information from the individual. In a [May 2018 audit](#),⁴ OIG estimated SSA incorrectly paid over \$40 million because it did not timely process work reviews for beneficiaries who had reported their earnings. Delays like this occurred because SSA's process for monitoring this workload did not provide automated alerts to management or employees. Rather, managers had to track pending cases manually by generating reports daily, weekly, and monthly to ensure they monitored the workload and sent cases to employees for action and follow-up.

¹ Old-Age, Survivors and Disability Insurance (OASDI) program which provides benefits to replace some of the earnings lost because a worker retires, becomes disabled, or dies.

² Supplemental Security Income (SSI) program to provide income for aged, blind, or disabled individuals with limited income and resources.

³ Individuals Who Have Multiple Overpayments Caused by Failure to Report Earnings (A-07-16-50081)

⁴ Incorrect Payments to Disabled Beneficiaries Who Return to Work (A-07-17-50131)

SSA agreed with the OIG recommendation to determine the feasibility of developing automated alerts to ensure timely case assignments and follow-up on aged cases; but, this recommendation remains unimplemented.

Manual Processes

SSA employees also must take manual actions to make calculations or establish records when systems cannot fully process them. Some of the calculations that must be completed manually are based on complex provisions written into Federal statutes. Employees have tools to assist with the calculations, and there are alerts to prompt manual actions for some workloads, but OIG audits have found the controls around these manual processes are not always effective.

In a [May 2022 audit](#)⁵ of overpayments caused by incorrect benefit computations, the OIG found SSA could have avoided half of the overpayments—or about 73,000 overpayments totaling more than \$368 million—if it had effective controls over benefit-computation accuracy. In this audit, employees entered the incorrect information into SSA’s systems or incorrectly calculated benefits.

For example, an employee may have transposed two numbers, which changed the benefit due. Benefits were also incorrectly computed when employees or SSA systems calculated benefits based on inaccurate information, for instance, an incorrect birth date. SSA had, as of the date of OIG’s report, two projects to modernize information technology and increase automation that it said would minimize manual processing; but, SSA did not have planned implementation dates.

Unavoidable Overpayments

Some overpayments are unavoidable. SSA considers some overpayments unavoidable and not improper payments because statutes, regulations, or court orders require the Agency to make these payments. For example, if an individual appeals a cessation determination following a medical review, the individual can elect statutory benefit continuation. This provision allows beneficiaries to continue receiving benefits and Medicare coverage at the reconsideration or administrative law judge hearing level. If SSA upholds its cessation decision on appeal, any benefit payments made during the appeals process are considered overpayments.

Actions on Overpayments

Once SSA makes overpayments, it must provide due process to the overpaid individuals to notify them of information such as the amount of the overpayment, how and when the overpayment occurred, and options to request reconsideration or waiver.

⁵ Incorrect Old-Age, Survivors and Disability Insurance Benefit Payment Computations that Resulted in Overpayments (A-07-18-50674)

However, in a [March 2019 audit](#),⁶ the OIG found SSA did not always appropriately apply due process provisions and projected SSA incorrectly recovered approximately \$345 million for about 190,000 overpayments established over a two year period. This occurred because SSA either did not send notices or sent notices with incomplete or inaccurate information, due to both employee and system errors. In some instances, employees did not put the adequate code into the system to generate the appropriate notice or complete an accurate notice manually. In other cases, the OIG found the automated system did not generate complete notices.

After SSA notifies the overpaid individuals, it has numerous options for recovering overpayments. The preferred method is to withhold benefits if the overpaid individual is receiving a monthly payment. Otherwise, SSA can directly bill the overpaid individual, negotiate a repayment plan, withhold other Federal payments, garnish wages, or refer the overpaid individual to credit bureaus in an effort to encourage repayment.

While the overpaid individual is primarily responsible, when SSA cannot collect from the overpaid individual, in some instances, SSA policy requires it to attempt collection from other individuals liable for repaying the overpayment. Such individuals could include spouses or children receiving benefits on the same OASDI earnings record or as members of an eligible couple for SSI. Despite these efforts, SSA continues to face challenges in recovering overpayments. The OIG has audits in process and planned that will address the challenges SSA faces.

SSA can waive recovery of an overpayment if the person is without fault, and recovery would either defeat the purpose of the *Social Security Act* or “be against equity and good conscience.”⁷ However, there may be inconsistencies in how SSA employees apply these policies. In a [July 2015 audit](#),⁸ the OIG found some field offices approved 96 percent or more of the OASDI overpayment waiver requests they received, while another group of offices waived 30 percent or less. We found similar trends for SSI overpayment waivers.

Further, when an overpayment occurs, SSA must expend additional resources to attempt recovery. For Fiscal Year 2022, SSA reported an administrative cost of \$.06 for every dollar collected.

Steps to Improve Prevention, Detection, and Recovery of Overpayments

SSA OIG’s work demonstrates a commitment to assisting SSA in addressing its improper payments challenge. In the last five years, the OIG issued 101 reports with 299 recommendations related to improper payments that identified over \$7 billion in

⁶ The Social Security Administration’s Application of Due-process Provisions for Old-Age, Survivors and Disability Insurance Overpayments (A-07-18-50622)

⁷ Social Security Act § 204(b); 42 U.S.C. § 404(b); see 20 C.F.R. § 404.506(a); see also SSA, POMS, GN 02250.001 (October 4, 2005)

⁸ Overpayment Waiver Requests Processed by Field Offices in Fiscal Years 2012 and 2013 (A-07-15-35031)

questioned costs. Of these, 76 recommendations aimed at addressing \$1.8 billion in questioned costs remain unimplemented.

In Fiscal Year 2022, according to SSA, it recovered over \$4 billion in overpayments. Still, at the end of the Fiscal Year, SSA had approximately \$21 billion in gross accounts receivable, which consists primarily of overpayments owed to SSA by beneficiaries to whom it paid excess benefits. Approximately \$13 billion in gross accounts receivable is from the SSI program, while almost \$9 billion is from the OASDI program.

SSA does not expect to collect over \$12 billion of that balance based on either the age of the debt or the likelihood of collectability based on a 5-year average.⁹ In addition, a system limitation prevented SSA from tracking debt scheduled for collection beyond Calendar Year 2049. OIG audit work identified almost 101,000 overpayments that, at the end of Fiscal Year 2019, were not being fully tracked. The original balance of these overpayments was approximately \$4.2 billion, of which the system was not tracking over \$1.2 billion (30 percent) because SSA will not recover that amount by 2049.

The OIG acknowledges SSA has taken some steps to improve prevention, detection, and recovery of overpayments. In Fiscal Year 2019, SSA established an Improper Payment Prevention Team, implemented options to allow individuals to repay overpayments online, and is conducting more data matches with external entities to obtain income and resource information.

However, there is much more SSA can do. Specifically, SSA needs to identify and prevent improper payments through automation and data analytics, expand efforts to collect data from reliable third-party sources and address the root causes of improper payments to prevent their occurrence.

Automation

In a [July 2023 report](#),¹⁰ the OIG noted SSA's automation enhancements reduced the need for manual processing for some workloads from Fiscal Years 2019 to 2021. SSA began using robotic process automation, which involves the use of software to automate high-volume, labor-intensive, or repeatable tasks. This allows employees to focus their efforts on more complex actions. These "bots" can lead to cost and time savings by preventing human error and reducing the time employees require to make manual inputs and correct mistakes.

However, there was no requirement for SSA employees to use the bots. Therefore, the OIG recommended SSA instruct employees to use bots whenever possible and determine whether bots could assist with additional workloads.

⁹ SSA considers all debts delinquent more than two years to be uncollectible, though the debt can still be collected if the debtor becomes entitled to benefits.

¹⁰ Manual Processes for Resource-intensive Workloads.

Also, in the July 2023 report, the OIG identified 19 audits issued between Fiscal Years 2016 and 2020 that identified significant improper payments. SSA planned to address the OIG's recommendations in these audits with information technology modernization projects. SSA had fully implemented the recommendations from only two of these audits, with actions to address the remaining recommendations still in progress.

Seven of the 17 unimplemented recommendations related to the establishment of a new Debt Management Product (DMP) that SSA expects will enable it to record, track, collect, and report overpayments more efficiently. However, SSA has been working on the DMP since at least July 2016, and SSA is currently targeting implementation in FY 2025. The OIG has an audit planned to review the Agency's development of DMP.

Third Party Data

SSA should continue to expand efforts to collect data from reliable third-party sources that would aid SSA in mitigating discrepancies that can occur when beneficiaries self-report information. For example, SSA could better utilize the Access to Financial Institutions (AFI) program. AFI verifies alleged bank account balances with financial institutions and searches for undisclosed accounts at geographically relevant locations based on the individual's address. SSA uses AFI when it processes initial SSI applications and periodic eligibility redeterminations.

As noted in a [May 2023 audit](#)¹¹ on SSA's compliance with the *Payment Integrity Information Act of 2019*, financial accounts—such as checking, savings, and credit union accounts—are a leading cause of overpayments in the SSI program. To address overpayments related to financial accounts, SSA implemented the AFI program in June 2011. Between Fiscal Years 2011 and 2021, overpayments related to financial accounts ranged from \$870 million to approximately \$1.9 billion annually. However, several of the OIG audits determined SSA could have realized additional savings had it used AFI more often. For example, in FY 2021, the OIG estimated SSA could have prevented approximately \$1.4 billion in overpayments due to financial accounts had it performed AFI searches between the initial application and redetermination. In May 2023, the OIG recommended SSA conduct a study to expand AFI searches between the initial application and subsequent eligibility redeterminations.

Bipartisan Budget Act of 2015

The *Bipartisan Budget Act of 2015* provided SSA new legal authority to enter into data exchange agreements with payroll providers to access real-time payroll data. This information could allow SSA to adjust earnings and payment records more expeditiously to minimize and prevent improper payments. In Fiscal Year 2019, SSA awarded a contract to build an information exchange to obtain monthly earnings data from third-party payroll data providers. In Fiscal Year 2023, SSA planned to continue working toward implementing the payroll exchange. SSA is at least several years from

¹¹ Compliance with the Payment Integrity Information Act of 2019 in Fiscal Year 2022 (A-15-22-51183)

determining whether the commercial payroll exchange effectively reduces improper payments that are caused by earnings reporting discrepancies. Further, these agreements can only be used to obtain earnings information for disabled beneficiaries, not retirement or survivor beneficiaries under full retirement age who work and are subject to earnings limits.

Proposed Legislation

In a [September 2023 audit¹²](#) the OIG recommended SSA determine whether to seek legislation to permit the Internal Revenue Service (IRS) to share data to assist SSA in reducing improper payments related to Government Pension Offset (GPO) and the Windfall Elimination Provision (WEP) of the *Social Security Act*.

The IRS is authorized to share information with SSA to support its administration of the SSI program; however, the IRS indicated the Internal Revenue Code does not permit it to disclose non-covered pension information to SSA for purposes of administering the OASDI program. The OIG concluded SSA generally made accurate GPO and WEP determinations when it had the non-covered pension information it needed. However, the SSA continued relying significantly on beneficiaries to self-report their non-covered pensions. SSA disagreed with the OIG recommendation, stating the decision to propose legislation depends on multiple factors, many outside of the Agency's control.

As another example, SSA has authority to collect workers' compensation information to administer SSA's programs; however, a state may determine it lacks authority to share information with SSA based on state law. While SSA had included legislative proposals in prior years President's budgets related to obtaining workers' compensation, the President's budget for Fiscal Years 2022 and 2023 did not include a legislative proposal. Without this state data, SSA must rely on beneficiaries to report any workers' compensation they have received. A [September 2023 audit¹³](#) has demonstrated that not all beneficiaries report workers' compensation received, which leads to SSA improperly paying them.

Administrative Finality

Administrative finality is another issue related to improper payments. Under SSA's administrative finality rules, the Agency generally considers its determinations or decisions to be final and binding when it renders them, unless they are appealed or reopened. Once a determination or decision becomes final, SSA will only reopen and revise it for certain reasons and within specific time periods.

¹² Government Pension Data for the Windfall Elimination Provision and Government Pension Offset Determinations (A-13-20-50970)

¹³ State Workers' Compensation and Public Disability Benefits' Reverse Offset Plans' Impact on the Disability Insurance Trust Fund (A-02-19-50867)

For instance, an SSA OIG [August 2018 audit](#),¹⁴ showed SSA could not correct payment errors related to WEP and GPO because of administrative finality and would continue overpaying beneficiaries approximately \$46 million annually. One beneficiary highlighted in the report disclosed that she would be receiving a monthly non-covered pension. SSA correctly applied GPO to her spousal benefits but erroneously paid the full monthly retirement benefit rather than a reduced amount. Consequently, SSA overpaid the beneficiary \$10,765 but did not generate an alert to address the incorrect payments because it determined administrative finality applied.

In a [May 2021 audit](#),¹⁵ SSA OIG noted a Law Library of Congress study, which stated that “A government agency may correct a mistake, and no principle of administrative law consigns an agency to repeating a mistake into perpetuity. Administrative agencies have the inherent authority to correct adjudications which appear to be erroneous.” SSA agreed with the OIG’s recommendation in the May 2021 audit to evaluate its administrative finality policies; however, the Agency has not made any changes to its policies.

Improper payments are a major challenge for SSA. Without better access to data, increased automation, systems modernization, and policy or legislative changes, it will continue to be an issue into the future.

Thank you for inviting the Office of Inspector General to discuss issues concerning improper payments at SSA. I would be pleased to address any questions.

¹⁴ Follow-up: Dually Entitled Beneficiaries Who Are Subject to the Windfall Elimination Provision and Government Pension Offset (A-09-17-50252)

¹⁵ The Social Security Administration’s Administrative Finality Policy (A-01-19-50859)