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BY THE COMPTROLLER GENERAL

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Report To The Congress

OF THE UNITED STATES

Social Security Administration Should Improve Its Recovery Of Overpayments Made To Retirement, Survivors, And Disability Insurance Beneficiaries

The Social Security Administration has made, and will continue to make, overpayments to individuals who receive retirement, survivors, and disability insurance benefits. Most overpayments are made to beneficiaries who earn more than the allowable limit set by law and who--despite the overpayment--continue to be eligible for benefits. Thus, the overpaid amounts are recoverable through adjustment against continuing benefits.

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Conversely, individuals who receive an overpayment and are subsequently removed from benefit status before repayment occurs represent a very difficult recovery problem for SSA. While this report does not address the causes of overpayments, it does discuss the problems that SSA must overcome to make sure that effective recovery action will be taken when an overpayment is made.



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To the President of the Senate and the
Speaker of the House of Representatives

This report discusses problems which reduce the effectiveness of Social Security Administration efforts to recover overpayments to retirement, survivors, and disability insurance beneficiaries. It points out that supervisory and managerial personnel at district offices and program service centers have not provided sufficient review and technical guidance to individuals responsible for recovery efforts and discusses the need for increased attention to recovery matters. The report also discusses special problems which Social Security encounters in its efforts to recover overpayments to individuals who are no longer receiving benefits.

We made this review to determine if Social Security was having problems with recovering overpayments to retirement, survivors, and disability insurance beneficiaries and, if so, the effectiveness of management's efforts to cope with it.

Copies of this report are being sent to the Director, Office of Management and Budget; the Secretary of Health, Education, and Welfare; and the Commissioner, Social Security Administration.

AGE 22

James A. Stacks
Comptroller General
of the United States

D I G E S T

During January to July 1978, the Social Security Administration (SSA) identified overpayments of more than \$536 million to 967,000 individuals. Most were overpaid because they had earned more than the maximum allowed by law. Most of the overpayments were to those continuing to be eligible for benefits, so SSA will recover a sizeable proportion of this amount through adjustment against their current and future social security benefits. (See pp. 2 to 4.)

However, those who receive an overpayment and are removed from benefit status before repayment occurs present a difficult recovery problem for SSA. Normally these individuals are

- students who received benefits to pay for schooling and either dropped out of school or earned more than was allowable,
- widows who remarried or had excess income,
- individuals who continued to receive benefits for their underage children despite the fact that the child had either attained age 18 or left the domicile, and
- individuals who continued to receive benefits despite the fact that their disability no longer existed.

Over \$221 million was owed to SSA by this group as of December 31, 1977. This amount has increased to about \$234 million as of July 31, 1978. Although it is impossible

to estimate how much of this is unrecoverable, some permanent loss is expected. (See p. 1.)

In 1977 SSA paid over \$82 billion to 33 million people in retirement, survivors, and disability insurance benefits. With expenditures of this magnitude it is to be expected that overpayments have been and will continue to be made. At the same time, it is SSA's responsibility to recover them. (See p. 2.)

Recovery personnel at Social Security Program Service Centers attempting to recover overpayments are making questionable and, in many instances, erroneous decisions resulting in monetary losses to the Government. This is occurring because the managerial personnel responsible are neither technically proficient in recovery matters nor providing necessary guidance to those attempting the actual recovery work. Moreover, recovery of overpayments is only a small part of the duties of SSA personnel at the district offices, and they do not consistently use the most effective recovery techniques. (See pp. 7 to 13.)

In addition:

- SSA's management information system does not sufficiently provide the type of information needed by managers to evaluate recovery efforts.
- Some SSA policies and procedures governing recovery are not being properly and consistently applied.

Statistical information presently provided to management on overpayments does not include a wide range of essential data pertaining to the composition and potential recoverability of outstanding balances owed to the Government. This is needed by management to determine where it can best direct its efforts to maximize recovery. Further, SSA policies and procedures

governing the review and analysis of financial information provided by overpaid individuals, the settling of debts at less than the full amount overpaid, and the termination of outstanding balances of less than \$200 are not being properly or consistently applied by recovery personnel. These situations may be resulting in substantial amounts of funds being permanently lost to the Government because

- not verifying financial data can result in erroneous decisions to stop collection efforts,
- not seeking settlement offers when full payment is unlikely to be obtained dries up a potential source of recovery, and
- unnecessary termination of outstanding balances on accounts which have recovery potential can represent direct monetary losses. (See ch. 3.)

Until recently, SSA headquarters management has been slow to react to its mounting overpayment and recovery problems, and its approach to recovery has lacked overall direction. As a result, various SSA operating divisions have undertaken studies on differing aspects of recovery and have had little or no communication or coordination with other interested divisions. (See pp. 15 and 16.)

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In 1978, two SSA task forces issued reports on overpayment/recovery problems and recommended various corrective actions. The first studied Program Service Center organizational problems and issued a report in August recommending, among other things, a strengthening of managerial leadership in the technical aspects of recovery work. In September the Director of SSA's Bureau of Retirement and Survivors Insurance accepted this recommendation.

The second task force identified overpayment issues and subissues confronting SSA and published a report in September citing 71 actions which are being or should be taken to prevent, detect, and recover overpayments. It recommended that a special group, directed by a high-level leader, be established to monitor and coordinate all SSA overpayment efforts. In November the SSA Commissioner established such a group and appointed the Director of SSA's Bureau of Retirement and Survivors Insurance as group leader. (See p. 16.)

GAO recommendations to improve SSA's management of district office and Program Service Center recovery personnel should result in more efficient and effective recovery efforts. Specifically, GAO recommends greater managerial attention to overpayment recovery, an examination and evaluation of specific recovery procedures, and refinement of current overpayment data to enable SSA management to identify areas needing improvement and to better utilize recovery personnel. (See pp. 26 and 27.)

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SSA concurred with these recommendations and agreed to take appropriate action. The Director of SSA's Bureau of Retirement and Survivors Insurance has directed that interim actions be taken immediately to improve management in the overpayment recovery area and overcome the problems cited by GAO. (See pp. 27 and 28.)

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ABBREVIATIONS

GAO	General Accounting Office	A
IRS	Internal Revenue Service	ACC 4
PSC	Program Service Center	
ROAR	Recovery of Overpayments, Accounting, and Reporting	
SSA	Social Security Administration	ACC 26

CHAPTER 1

INTRODUCTION

The Social Security Administration (SSA) has made, and will continue to make, overpayments to individuals who receive retirement, survivors, and disability insurance benefits. Most of these overpayments are made to beneficiaries who earn more than the allowable limit set by law and who--despite the overpayment--continue to be eligible for benefits. Thus, the overpaid amounts are recoverable through adjustment against continuing benefits. Conversely, individuals who receive an overpayment and are subsequently removed from benefit status before repayment occurs represent a very difficult recovery problem for SSA. Such individuals include students who received benefits to pay for schooling and either dropped out of school or earned more than was allowable; widows who remarried or had excess income; individuals who continued to receive benefits for their underage children despite the fact that the child had either attained age 18 or left the domicile; and individuals who continued to receive benefits despite the fact that their disability no longer existed.

As of December 31, 1977, over \$221 million was owed to SSA by individuals who were no longer receiving benefits. During the first 7 months of calendar year 1978, SSA identified an additional \$70 million in overpayments made to other individuals in this category. Since \$47 million was recovered by SSA from individuals no longer receiving benefits during the same 7-month period--and another \$10 million was terminated as uncollectible--we estimate that as of July 31, 1978, this group owed SSA about \$234 million.

Although it is impossible to estimate how much of this balance is unrecoverable, it is reasonable to expect that there will be some permanent loss. This is because (1) many accounts may be so old that recovery is impossible, (2) management personnel at Program Service Centers (PSCs) are not adequately reviewing the work performed by recovery personnel, and erroneous decisions are being made to waive individuals' liability for repayment and terminate recovery efforts, and (3) recovery personnel do not consistently use the most efficient and effective recovery techniques available at the district office level.

But erroneous decisionmaking and ineffective recovery approaches are only a part of the overall recovery problem confronting SSA. Some recovery policies and procedures

(such as the authority to accept less than the full amount due for final settlement of an overpayment) are being ignored by recovery personnel and, as a result, potential recovery opportunities are being missed. Further, SSA's management information system does not sufficiently provide the statistical information that management needs to establish and maintain an effective recovery program.

The recovery problems SSA is encountering would obviously not exist if overpayments were not made in the first place. But when \$82 billion is being paid to 33 million beneficiaries, as in 1977 alone, some amount of overpayments can be expected. Thus, the overpayment issues discussed herein need immediate attention from SSA management.

While this report does not address the causes of overpayments, it does discuss the problems that SSA must overcome to assure that recovery action will be pursued in an expeditious, efficient manner when an overpayment is made.

This report will discuss these matters in detail. Chapter 2 concentrates on management weaknesses in recovery matters at various SSA levels and addresses the need for a more effective recovery program; chapter 3 discusses various recovery system weaknesses; and chapter 4 contains our overall conclusions and recommendations. The remainder of this chapter provides general background information on overpayments and their recovery.

OVERPAYMENTS: WHY THEY
OCCUR AND WHO RECEIVES THEM

Most overpayments occur when SSA recipients undergo a status change which either eliminates their entitlement to benefits or reduces the amount payable to them. Except for earnings, SSA's detection system relies heavily on the individual's voluntary compliance in submitting required reports in a timely manner. Events that are to be reported immediately are:

- Employment of a beneficiary which can be expected to result in earnings over \$3,000 (this is a 1977 limit; income limits will rise in the future).

- Marriage of a person entitled to child's, widow's, widower's, mother's, or parent's benefits; or wife's benefits as a divorced wife.
- When a woman under age 62 entitled to wife's or mother's benefits no longer has a child under age 18 in her care.
- The return to work by a recipient of disability benefits, or an improvement in condition which allows a return to work.
- A child beneficiary age 18 or over who is not disabled and is no longer attending school full time.
- Death of a beneficiary.

The failure of a beneficiary or his/her estate to report in a timely manner any of the above can result in substantial overpayments. For example:

Case 1

A disabled female child beneficiary was married in February 1960, but did not report the event to SSA. She continued to receive benefit checks under her maiden name despite several address changes until September 1975, when her husband reported their marriage. Benefits were suspended in November 1975, after \$15,783 had been paid erroneously. In defending her actions, the overpaid individual contended that she (1) reported her marriage to at least four different district offices in two States and (2) was told by district office personnel to continue to use her maiden name. Each district office cited by the overpaid was contacted and none had any record of the marriage being reported.

SSA identified approximately 967,000 individuals who received over \$536 million in overpayments from January through July 1978 in retirement, survivors, and disability insurance benefits. About \$338 million was paid to 603,594 individuals whose income was more than the allowable amount established by law, and \$40 million was paid to 38,878 individuals who were no longer disabled and therefore not entitled to benefits. Marriage, students no longer attending school full time, children who attained the age of 18 or 22 (depending on whether or not they were attending school), individuals receiving benefits for children no longer in

their care, divorce or annulment, and death accounted for 61,559 overpayments totaling \$30 million. About 55,238 overpayments amounting to \$16 million were attributed to (1) incorrect computations by SSA and (2) payments made on the basis of an incorrect month of entitlement. Much of the remaining \$111 million was lumped into miscellaneous categories by SSA.

RECOVERY OF OVERPAYMENTS

Responsibility for recovering overpayments rests with SSA personnel in six PSCs and over 1,300 district offices located throughout the United States, and with personnel in the Bureau of Disability Insurance, Baltimore, Maryland. In most instances, recovery efforts are initiated by personnel at the PSCs and, if they are unsuccessful, the case is referred to the appropriate district office for followup. (See app. I, II, and III.)

Recovery is accomplished in one of three ways: adjustment, refund, or legal proceedings. Adjustments are made when benefits continue to be payable to an overpaid person, or when benefits are being paid to other persons on the same earnings record on which the overpayment was made--these conditions allow SSA to withhold payments until the overpaid amount is recovered in full. Refund is a direct payment from the overpaid individual, either in full or in installments, and is used when adjustment is not available. Legal proceedings are the last resort and will be initiated only by the Department of Justice.

The effectiveness of SSA efforts to recover overpayments varies, depending on an individual's benefit status. SSA has leverage over those individuals who continue to be eligible for benefits because it can make adjustments against current and future payments due the beneficiary until the overpaid amount is recovered. From January through July 1978 about \$207 million was recovered from 251,450 individuals in this category who had received overpayments under the retirement, survivors, and disability insurance programs. But many individuals--especially students--are removed from benefit status once their overpayment is detected. When this occurs, SSA must locate and confront the overpaid individual, and recovery can become extremely difficult. During the 1978 7-month period \$47 million was recovered from 74,017 individuals in this group.

WAIVER, TERMINATION, AND SUSPENSION
OF RECOVERY ACTIONS

SSA is authorized to relieve an overpaid individual of his/ her obligation to repay an overpayment under certain circumstances; this is termed a waiver. To be eligible for such consideration (1) an overpaid individual must be without fault in causing the overpayment and (2) recovery would either deprive the liable person of income needed for ordinary and necessary living expenses, or it would be inequitable to ask for repayment regardless of the individual's financial circumstances.

Termination, under which all recovery efforts cease (but the overpaid amount remains on the beneficiary's record), is justified when the cost of further collection action is expected to exceed the recoverable amount; the overpaid individual cannot be located and the prospect of collection by adjustment is too remote to justify retention as an active claim; or the individual does not have the present or future ability to repay.

A case will be suspended (recovery efforts stopped temporarily and begun again at some time in the future) if the overpaid individual is still entitled to benefits, but adjustment is not possible at the moment; will become eligible for benefits within 6 months following the month in which recovery proceedings are discontinued; or there is reason to believe that future collection action will be productive.

PURPOSE AND SCOPE OF REVIEW

This review was performed to determine (1) the extent that there was a problem with recovering overpayments to retirement, survivors, and disability insurance beneficiaries and (2) the effectiveness of SSA management in coping with overpayment recovery problems, if there were any.

Our review was performed at the SSA headquarters in Baltimore, Maryland; seven district offices in New York (in Albany, Binghamton, Rochester, and Schenectady), Kansas (Kansas City and Topeka), and Missouri (Clayton); and at two PSCs (the Northeastern PSC in New York City and the Mid-America PSC in Kansas City, Missouri). The review included interviews with more than 50 persons responsible for recovery, their supervisors, and other members of management (from operating groups to the policymaking divisions);

examination of more than 500 case files at district offices and PSCs; analysis of Social Security provisions which relate to recovery of overpayments; and consideration of quality assurance studies, task force reports, proposed criteria for future studies of the recovery problem, and other pertinent data developed by SSA relating to overpayments and their recovery.

CHAPTER 2

SSA SHOULD STRENGTHEN RECOVERY MANAGEMENT

Recovery personnel at the two PSCs visited are making questionable and, in many instances, erroneous decisions which result in direct monetary losses to the Government. This is occurring because managerial personnel responsible for this function are not technically proficient in the area and are not providing necessary guidance to recovery personnel. SSA personnel at the district offices visited also do not consistently use the most effective techniques to maximize recovery.

ERRONEOUS WAIVER, TERMINATION, AND SUSPENSION DECISIONS

Our review of 150 waiver, termination, and suspension decisions made at the Mid-America and Northeastern PSCs indicated that the accuracy of more than half of them was questionable. This is because individuals responsible for recovery (recovery reviewers) at these locations do not presently receive the benefit of proper technical guidance and quality assessment by their managers. Managers responsible for evaluating the work of recovery reviewers at the Mid-America PSC generally lack the technical expertise to effectively evaluate and, in the Northeastern PSC, managers have very little involvement with recovery matters.

To be eligible for waiver, it must be determined that an overpaid individual was without fault in causing the overpayment and recovery would either cause financial hardship or be inequitable to the individual. During the period January through July 1978, 63,525 requests for waiver amounting to \$40 million were received. SSA approved 31,995 requests totaling over \$19 million and denied 31,530 requests amounting to \$21 million. Of those denied, 28,402 were because the individuals could not provide sufficient evidence that they were without fault in causing the overpayment. In addition, from January through July 1978 SSA terminated 30,403 cases involving \$10.4 million and suspended 3,986 cases amounting to \$3.8 million.

The validity of these decisions--especially waiver approvals--is presently being questioned by PSC officials, who readily acknowledge that the technical adequacy of the review function is lacking. In 1977 an SSA quality assurance review of 350 waiver determinations made at the Mid-America PSC revealed that 18.5 percent of the waiver decisions were

either incorrect or made without documentation. Most of the deficiencies noted related to waiver approvals. The general conclusions reached were that (1) the accuracy rate on waiver cases was very low and (2) the findings point to a critical need for close management attention in this area.

Our analysis of 150 waiver, termination, and suspension cases at the two locations support even more serious findings than those cited in the quality assurance report. Table 1 shows the results of our overall analysis.

Table 1
Analysis of Waiver, Suspension,
and Termination Decisions (note a)

<u>Category</u>	<u>Waiver</u>	<u>Per- cent</u>	<u>Termina- tion</u>	<u>Per- cent</u>	<u>Sus- pension</u>	<u>Per- cent</u>
Number of cases reviewed	<u>50</u>	<u>100</u>	<u>50</u>	<u>100</u>	<u>50</u>	<u>100</u>
Number of cases with correct decision	20	40	9	18	18	36
Number of cases with questionable decisions	30	60	41	82	32	64

a/While the figures are consolidated, the cases reviewed were from many groups in each PSC to assure that no one group was considered representative of the whole. The error rate at each PSC was about the same. Further, in most instances where we indicate that a questionable decision was made, our opinion was independently verified by a social security representative--who also reviewed the case at our request.

The reasons why we classified the decisions as questionable are numerous. Recovery reviewers often did not (1) fully develop an individual's present or future ability to repay, (2) make sufficient attempts to contact the overpaid individual, (3) attempt to adjust the benefits paid to others on the same earnings record and living in the same household, (4) consider an individual's promise to repay before terminating a case, (5) fully examine the case file to determine past history and/or pertinent aspects of the case, and (6) have sufficient documentation on file to justify the decision made.

During our interviews, recovery reviewers cited many reasons for these deficiencies. First and foremost is that they receive little technical assistance or supervision from management, and they can decide each case using their own discretion and according to their own standards. Second, the workload causes some recovery reviewers to be overworked while others have only nominal caseloads. Third, very little training is received beyond that which is initially provided when the job is given. Coupled with the lack of technical guidance, these problems result in individual recovery reviewers making differing interpretations of manual procedures.

These contentions appear to be correct. The July 13, 1978, workload of individual recovery reviewers at the Mid-America PSC ranged from 16 to 241 cases, and the need for increased managerial attention to recovery matters and training of recovery reviewers was recognized in the 1977 quality assurance report--especially in the area of waiver determinations. Further, the need to fully evaluate documentary evidence in the case files was also cited as a step to assure that a more accurate product will be generated. But this may not always be possible with large caseloads.

Cases 2 and 3 illustrate questionable actions by recovery reviewers and emphasize the need for greater training and management control of recovery efforts.

Case 2 is an excellent illustration of a questionable waiver determination. It was apparently caused by a recovery reviewer not adequately evaluating available financial data to determine the individual's present or future ability to repay. The ensuing waiver resulted in a direct monetary loss to the Government.

Case 2

A widow was overpaid \$1,496 due to excess earnings in 1975. She applied for waiver in January 1978 on the basis that (1) she was without fault and (2) repayment would cause financial hardship. Her financial statement indicated she had monthly income of \$2,140 and expenses of \$2,505. Waiver was approved on this basis. But it appears that one \$500 mortgage expenditure appeared twice on the individual's financial statement. Further, this individual owned a 160-acre farm valued at \$1,200 per acre, had cattle and machinery valued at \$48,000, and had equity of over \$100,000 in the farm property based on present values.

Case 3 demonstrates poor recovery reviewer judgment, failure to follow manual procedures requiring refund installments to be at least \$10 per month and made in less than 3 years if possible, and failure to obtain financial statements required when small installment payments over a long period of time are accepted. It also illustrates how unsupervised recovery reviewers can make unilateral decisions that are unwarranted and costly to the Government.

Case 3

A student was overpaid \$319 in 1974 because she had not attended school full time. After repeated contact she agreed to repay \$1 per month until the debt was repaid or she got a job. She repaid \$11 in 1975 before stopping payments. No financial statements were ever requested and her earnings, or lack thereof, were never verified. The case began in 1974, when the overpayment was detected, and ended 4 years later, in 1978, with termination when the individual could not be located by SSA.

When questioned about their management of the recovery review function, the Mid-America PSC managers interviewed stated that this aspect of their work received little emphasis and that they were inadequately trained to effectively perform the function. Individual characterizations of the review ranged from "very limited" to " cursory and superficial at best."

Because managerial technical guidance is lacking, recovery reviewers at PSCs essentially make the final decision about whether an individual's repayment liability should be waived, terminated, or suspended. The importance of making correct decisions--especially on waiver approvals and terminations--cannot be overemphasized. An erroneous waiver approval or premature termination results in direct loss to the Government.

SSA headquarters officials stated that they too are acutely concerned about the deficiencies we noted and, in part, attribute management's lack of technical guidance and quality assessment to increases in the overpayment workload. These officials agree that more management attention is required to overcome these problems, and they have recently taken the initiative to provide it. (See pp. 15 to 17.)

The Mid-America PSC Director and Director of Operations generally agreed that the cited problems exist. But they pointed out that many managers have previously held PSC benefit authorizer positions and therefore have had some exposure

to recovery matters. Managers are also provided mini-training courses on recovery matters for refresher purposes. Mid-America PSC officials also indicated that while the workloads do vary, managers should distribute the workload to other recovery reviewers when overloading occurs.

RECOVERY FUNCTION AT DISTRICT OFFICES
NEEDS GREATER EMPHASIS

Recovering overpayments is primarily the responsibility in the district offices of service representatives; claims representatives and field representatives are involved to a more limited extent. ^{1/} All of these employees perform this task in conjunction with other duties. In fact, the service representatives' primary responsibility is to answer citizen telephone inquiries on various aspects of SSA programs and, on occasion, to interview or answer visitors' questions. Of the 35 service representatives interviewed in the seven district offices, 23 stated that they spent less than 15 percent of their time (6 hours per week) on recovery efforts.

To be effective, personnel involved in district office recovery work must be able to tactfully but firmly confront overpaid individuals and request repayment of amounts due SSA. We believe that this can be best accomplished by (1) reducing the numbers of personnel presently involved in this effort part time and (2) providing increased training on effective recovery techniques to a smaller cadre of personnel who either specialize in or concentrate most of their time on recovery matters. Further, supervisory personnel need to spend more time on recovery review functions. At present, service representatives' recovery efforts are not reviewed regularly for quality assurance purposes, actions taken on individual cases are not evaluated, and an individual's effectiveness in handling recovery work is not an important consideration in performance appraisals.

Because management does not play an active role in the recovery function, the quality of work and effectiveness of recovery efforts are seriously impaired. Specifically, recovery personnel at district offices do not use a uniform recovery approach and are not consistently using techniques that would maximize recovery.

^{1/}The recovery responsibilities of claims representatives are essentially limited to obtaining financial data from overpaid individuals applying for a waiver. Field representatives are used by service representatives on a very limited basis to make personal contact with an overpaid individual.

Recovery approaches vary

SSA district offices are requested to initiate recovery efforts against an individual only when PSCs have exhausted their own recovery efforts. (See app. I for details on recovery methods.) Thus, the cases on hand at the district offices can be expected to fairly represent those which are the most difficult to obtain satisfactory recovery results. Individuals in this category normally are those no longer receiving benefits who have nothing to lose by refusing to repay an overpayment. SSA personnel must therefore use recovery approaches and techniques which will maximize their own effectiveness.

SSA's claims manual indicates that recovery action should be prompt and vigorous, but in a dignified manner consistent with the program and program objectives. It also recognizes that personal contact (face to face) with an overpaid individual is likely to bring the most productive results. Telephone and mail contact are acceptable, when necessary, but the mails should be used only when it is not feasible to make contact in person or by telephone. This approach is not always followed.

Case 4 provides a good illustration of how an overpayment case can continue over a long time with no attempt by SSA to establish a verbal dialogue with an overpaid individual. This situation is not unique. Overpayment cases, in general, are often handled strictly by mail or telephone with no personal (face to face) contact attempted by a service or field representative.

Case 4

A 22-year-old student earning more than allowable limits was overpaid \$1,973. In September 1976 he signed an agreement to repay \$54.80 per month for 36 months beginning in October 1976. Eight payments were made, the last of which was received in September 1977. Reminder notices were sent in October and November 1977 and March 1978, with no response. In May 1978 another letter was sent and the overpaid individual telephoned the district office to state that he would resume payments. During the entire 8-month period no SSA representative attempted to personally contact him.

Service representatives stated that, upon receipt of an overpayment case from a PSC, a written demand notice is usually sent to the overpaid individual and is promptly followed up by another if no response is received within 10 to 30 days. Telephone inquiries are normally not used for initial contact, and the use of field representatives for direct contact is minimal. Further, our review of district office cases showed that overpayment cases can remain in the district offices 10 or more days--either unassigned to, or unworked by, service representatives--before an initial attempt is made to contact the individual. In other instances, initial contact will not be followed up for 45 days or more, and cases can remain at district offices for 6 months or more with little or no ongoing recovery efforts taking place.

The aforementioned deficiencies occurred in varying degrees at the district offices visited. In all instances, however, district office management should provide service representatives with greater direction, supervision, and feedback on their recovery work.

SSA officials acknowledge that problems do exist in district office development and followup on overpayment cases; they suggest that the extent of these problems will vary among offices (i.e., some offices will perform better than others on recovery matters). These officials also stated that the agency's overreliance on telephone and mail contacts is a result of program growth and staffing constraints. They also recognized, however, that by the time an overpayment case is transferred to a district office it has become a complicated action which is not susceptible in all instances to relatively inexpensive mail or telephone contacts by a service representative. They concluded that it may be necessary to consider more expensive direct contacts for cases which are now routinely handled by mail or telephone.

Installment arrangements
need management attention

To recover overpayments, a service representative has the authority to accept an installment arrangement if a lump sum payment cannot be obtained. But an installment payment agreement does not necessarily mean that repayment will be timely or occur at all. In 103 of the 208 installment agreement cases examined, overpaid individuals were behind from 1 to 54 months in their payment schedules and from \$7 to \$4,745 in payments.

Table 2 summarizes the installment arrangements made in the district offices reviewed during selected months of fiscal year 1978. The large number of installment payment agreements in default attests to the need for management attention.

Table 2
Magnitude of Installment Agreements and Their
 Current Status at Selected District Offices

	Kansas City, Kansas	Topeka, Kansas	Clayton, Missouri	Albany, New York	Binghamton, New York	Rochester, New York
Total number of over- payment cases examined	49	40	80	67	39	126
Number of installment cases at district office	13	18	18	46	31	82
Dollar value of overpay- ments being repaid through installment	\$11,126	\$18,767	\$16,919	\$43,868	\$27,495	\$81,386
Range of monthly install- ment payments	\$10-32	\$10-100	\$25-140	\$10-303	\$5-50	\$5-300
Time frame of installment payments	11-31 mos.	9-89 mos.	2-41 mos.	2-65 mos.	7-90 mos.	3-94 mos.
Number of cases in which payments are not being made in accordance with agreements (note a)	8	6	6	35	7	41
Range of delinquent monetary amounts	\$20-4,745	\$25-658	\$63-2,478	\$7-4,511	\$30-540	\$9-1,486

a/Payments not being made in accordance with agreement include only those for which the district office maintained an agreement to repay (form 633) in its files. Numerous other cases are being repaid through installment without a form 633 in district office files. We could not determine to what extent installments on those accounts are delinquent, but payments were sporadic in many of those cases.

Of the 208 installment cases, 117 represented students who were originally overpaid because they either earned more than the allowable limit to continue collecting student benefits or were no longer full-time students. Widows with excess earnings represented the second largest group; there were no discernible differences in the number of installment cases from other groups (such as disability, marriage, and excess earnings (primary wage earner)).

The majority of service representatives interviewed at the various district offices stated that students represent their most difficult recovery problem. This is because the students either refuse to respond or have moved away from home or their last known address.

Case 5 is an example of the difficulty SSA personnel can have with a student who has been overpaid and is no longer receiving benefits against which SSA can make adjustments.

Case 5

An \$869 overpayment was incurred from January to July 1970 by a student who earned more than the allowable limit. The overpayment was detected in 1972, and in March 1972 the first demand letter was sent. From that point in time to May 11, 1978, the cognizant service representatives at two district offices sent 26 letters and reminder notices to the individual and made six telephone calls. Personal contact by a field representative was made on two occasions, the last being made on April 20, 1978. The overall result: periodic repayments from February 1975 to September 1977 amounting to \$135.

The degree that students either cannot be contacted or refuse to repay is unknown, since the district offices keep no record of this; but when the district office gives up its recovery effort and returns the case to a PSC without action, the case is either terminated or placed in suspense status.

Terminations are occurring at a rate of about \$1 million per month, and students represent a high proportion of these cases. Of the 710 cases terminated at the Northeastern PSC from April 1, 1978, to May 31, 1978, about 340 were student beneficiaries who either were no longer attending school full time or had earnings above those allowable by law. The dollar amount terminated was approximately \$150,000; only 23 student cases valued at about \$18,000 were suspended during this period.

SSA MANAGEMENT IS TAKING A MORE ACTIVE ROLE IN ADDRESSING RECOVERY MATTERS

Until recently, SSA management at the headquarters level had been slow to react to its mounting overpayment and recovery problems. It was not that these problems were unrecognized. In 1961, 1967, and 1977, we reported on various aspects of the overpayment and recovery problems confronting

SSA. 1/ Further, at the urging of the Office of Management and Budget during appropriations hearings held in 1977, SSA officials committed the agency to a comprehensive study of its overall overpayment problem. But SSA officials did not initiate this effort until after we began our review in 1978. In essence, SSA's problem is that its approach to recovery has lacked overall direction. Various operating divisions within SSA have undertaken studies on differing aspects of recovery with little or no communication and coordination with other interested divisions.

In June 1978, the Acting Commissioner of SSA designated the Office of Program Policy and Planning to serve as a focal point for all SSA's work with overpayments. The Acting Commissioner further requested that a work plan be provided which cites the overpayment issues and subissues; identifies those which have the highest priority; and specifies when he could expect to receive position papers on each. Immediate action was taken, and a task force report was issued in September 1978 which identified 71 actions which either are being or should be taken to prevent, detect, and recover overpayments and/or improve the quality of overpayment recovery decisions.

The report places more emphasis on actions which would eliminate or reduce the causes of overpayments than it does recovery techniques. This is justified on the basis that "the best solution is to avoid the overpayment if possible, rather than try to deal with the overpayment after it occurs." The report also recognizes that, while there are many overpayment actions, they are still fragmented and uncoordinated among SSA operating components. The task force therefore recommended that a small group directed by a high-level leader be established for 1 year to monitor, coordinate, and focus all SSA overpayment efforts. On November 6, 1978, the SSA Commissioner established such a group and appointed the Director, Bureau of Retirement and Survivors Insurance as group leader. In this capacity he reports directly to the Commissioner on all of SSA's overpayment actions, including evaluating and implementing the task force's recommendations.

1/"Review of Procedures for Recovering Overpayment of Insurance Benefits," B-114836, 7-25-61; "Review of Certain Aspects of Social Security Benefit Overpayments," 3-13-67; Letter Report from Director, Financial & General Management Studies Division to the Secretary, Department of Health, Education, and Welfare, FGMSD-7732, 9-6-77.

Another SSA task force involved in studying PSC organizational problems has also addressed recovery deficiencies. This task force, which was formed in April 1978, recognized that the primary issues causing the recovery function to be identified as a problem in PSCs are (1) the lack of technical guidance and (2) the lack of quality assessment. To overcome this, the task force, in its final report issued to the Director, Bureau of Retirement and Survivors Insurance, in August 1978, recommended that a claims authorizer technical assistant provide on-line quality assessment and technical leadership to recovery personnel in the PSCs. 1/ The task force also recommended that an "end-of-line" quality assessment system be implemented as soon as possible for review of final determinations. Immediate action to improve the recovery system is needed because of the high error rate on recovery decisions being made at PSCs. SSA recognizes this, and the Bureau Director accepted the task force recommendations in September 1978.

SSA took a somewhat different approach to this same problem in March 1977, and attempted to get a new position approved for PSCs, entitled "Lead Social Insurance Claims Examiner." These individuals' primary duty would have been to lead six to eight recovery reviewers in accomplishing their work. The position was justified, in part, by the fact that in many instances PSC managers were not experienced in the recovery area and could not provide the technical advice and assistance needed by recovery reviewers. The request was rejected by the Department of Health, Education, and Welfare primarily because the new positions would duplicate the duties of the managers, who are to provide leadership and supervision to all technical, administrative, and clerical employees--including recovery reviewers.

SSA CAN REFER OVERPAYMENT CASES TO OUR OFFICE

SSA can refer overpayment cases to our office for collection. But, the Federal Claims Collection Act of 1966 and the implementing Joint Standards promulgated by the Attorney General and the Comptroller General (4 C.F.R. 101-105) provide that administrative agencies are primarily responsible for collecting claims arising out of their activities.

1/There are presently about 150 claims authorizer technical assistants at the six PSCs. The additional recovery duties cited will require revisions to their position descriptions.

As demonstrated by the statistics below, SSA does not use our office as a matter of general practice. From July 1, 1976, to June 30, 1978, only 274 retirement, survivors, and disability cases were submitted to us for collection.

SSA personnel stated that cases are not generally referred to our office because of the criteria established as a prerequisite for referral. In essence, SSA must have taken all reasonable recovery actions, there must be reason to believe that enforced collection will be successful, the Government must be able to prove its case, the amount due the Government must be at least \$600, and the debtor must be located and have the ability to repay. These criteria are needed to assure that the agency fulfills its responsibility to do everything it can to recover the overpayment before it transfers a case to our office.

CHAPTER 3

SSA SHOULD RESOLVE

RECOVERY SYSTEM WEAKNESSES

SSA's management information system does not sufficiently provide the type of information needed by managers to evaluate recovery efforts, and certain SSA policies and procedures governing recovery are not being properly or consistently applied. Specifically, statistical information available to management through the Recovery of Overpayments, Accounting and Reporting (ROAR) computer system is not being sufficiently developed for managerial purposes, and present reports do not include a wide range of essential data pertaining to the composition and potential recoverability of outstanding balances owed to the Government. This is needed by SSA management to determine where it can best direct its efforts to maximize recovery.

SSA recovery personnel are also having difficulty applying policies and procedures governing (1) the review and analysis of financial information provided by overpaid individuals and (2) the settling of debts at less than the full overpayment. Also, the procedure governing automatic computer termination of outstanding balances of less than \$200 is being applied too stringently. These situations may cause substantial amounts of funds to be permanently lost to the Government. Not verifying financial data can result in erroneous waiver approvals; not seeking settlement offers when full payment is unlikely to be obtained dries up a potential source of recovery; and unnecessary termination of outstanding balances on accounts which have recovery potential can represent direct monetary losses.

MORE DATA NEEDED TO BETTER IDENTIFY RECOVERY PROBLEMS

SSA's ROAR computer system provides basic, limited information on the retirement, survivors, and disability overpayment problem. Specifically, ROAR data contains the known extent of the problem; the particular groups receiving overpayments; the recoveries being made through refund as well as adjustment against current beneficiaries; the extent that waivers are being approved and denied; the balance of outstanding accounts on which recovery action is being attempted; and the cumulative total of accounts which have been suspended and terminated since ROAR's inception in 1969.

SSA management presently does not have data on the number of cases which could be recovered through adjustment; the number of accounts and related balances of those cases now being recovered through installment agreement; or the age of these accounts in terms of how many are delinquent in payments, how many are several years old with no recovery to date or have had only limited efforts to recover, and how many are being repaid over long periods of time. An analysis of outstanding overpayment balances would provide SSA a better measure of the recovery problem. But SSA management needs many other types of analyses to adequately measure and evaluate the effectiveness of its district office and PSC recovery functions, to identify areas needing improvement, and to determine how it can best utilize recovery personnel.

In addition to the limitations cited above, SSA does not have sufficient information on the workload and relative effectiveness of its district office recovery efforts. Management at only one of the seven district offices visited compiled statistics on monthly overpayment and recovery activities. This office compiled data on the number of outstanding overpayments and the balances on hand. No other office, however, could tell how many cases were processed at the district office at a given time or the cases' disposition. As a result, they did not know how effective their offices were with recovering overpayments.

Comparative data is available on the number, dollar value, and disposition of cases processed at the various PSCs; similar data should be available for the district offices to effectively evaluate their recovery efforts. Specifically, such data could isolate areas where recovery seems overly difficult (so that corrective action can be taken). The data could also be used to determine which offices return large numbers of cases to PSCs with no recovery, which offices have large numbers of outstanding balances and installment agreements, and which offices are holding cases without recovery efforts for long periods of time. Management could then use this data as input for evaluating offices which are less effective in their recovery efforts.

SSA officials stated that the ROAR system maintains a wealth of data and has the capability to tabulate and generate specific reports as needed and identify all outstanding accounts that have been transferred to specific offices and not acted upon for a period of time. The officials stated that the expanded data referred to by us will be obtained in the near future.

SOME COLLECTION POLICIES AND
PROCEDURES ARE DIFFICULT TO APPLY

SSA recovery personnel were having serious difficulty understanding and applying certain claims manual provisions. This difficulty, coupled with a lack of managerial oversight, could result in varying degrees of interpretation and implementation of policies and procedures, and monetary loss.

The following SSA claims manual provisions give recovery personnel particular difficulty.

The first provision involves conditions under which an overpayment may be compromised and has strong potential to adversely affect recovery if it is not applied properly or if it is ignored entirely. Section 5537.1(a)(3) states:

"A claim may be compromised * * * if * * * the cost of collecting the claim is likely to exceed the amount of recovery (i.e., the difference between the overpayment and the amount offered as a compromise is less than \$500)."

Section 5537.4(a) continues with:

"If enforced collection is not available, an offer to repay less than half the overpaid amount will not generally be accepted unless the person is clearly financially unable to repay more; however, if the debtor is able to repay the full amount, repayment of at least 75 percent of the overpayment will usually be required. If collection can be enforced, an offer to repay less than 80 percent of the overpaid amount will not normally be accepted * * *."

"Although these guides should be used in negotiating a compromise offer, the official having authority to compromise the overpayment claim is not bound by them and in no case should SSA be committed to a minimum amount for settlement."

We identified only one attempt to compromise an overpayment at the seven district offices visited. This may be because most recovery personnel--including district managers--were not very knowledgeable about the compromise provisions. Those interviewed stated that the manual's provisions are

too confusing and ambiguous; hence, they did not know when to compromise. Recovery reviewers made no greater efforts to solicit compromise offers at the two PSCs visited. By not using compromise-offer opportunities SSA may be terminating cases or accepting costly installment payment agreements--wherein minimum amounts are being paid over long periods--when an acceptable agreement could be reached through lump sum payments of lesser amounts. SSA recognized many of the ambiguities in the compromise provisions and was considering numerous revisions at the time of our review.

Other claims manual provisions which were not being adhered to by recovery personnel involved the verification of financial data obtained from overpaid individuals. When an overpaid person is unable to refund an overpayment by installments within 36 months, or if the person requests waiver of the overpayment, recovery personnel are required to obtain supporting financial data. Verification of financial information provided by the debtor is not necessary if living expenses, income, and assets appear reasonable, considering the circumstances in the case. But corroborating evidence is needed if the information appears incorrect or impossible.

The claims manual states there are no hard and fast rules about the types of evidence that are acceptable when verifying financial data provided by overpaid individuals, but it gives examples such as contact with the employer to verify current wages, copies of income tax returns, property tax receipts and bills, installment payment books, and rental or mortgage payment receipts. The claims manual also shows situations where verification is needed:

- Expenses exceed \$300 per month plus \$75 per dependent.
- Expenses appear excessive even though they are less than \$300 per month plus \$75 per dependent.
- It is doubtful that the income and assets of all members of the household have been included.
- A beneficiary who received a large retroactive check which is later determined to be incorrect alleges that he/she no longer has any of these funds because of unusually large expenditures.

The claims manual also shows where verification may not be necessary, such as when expenses exceed income or it is clear that all recurring monthly expenses have not been included. In some cases a presumption may also be made that living expenses are reasonable and necessary when they are very low.

Of the overpayment case files reviewed at district offices which are being repaid by installments over 36 months, none had the required financial data to justify such lengthy repayment schedules. Of the 50 waived cases reviewed at PSCs, however, all contained the required financial information but only a few showed that questionable living expenses, income, or assets were verified. This was one of the major deficiencies revealed in our review of PSC case files. We believe verification of financial information should have been performed on 24 of these cases because the cases' financial data did not appear reasonable considering each cases' circumstances. It is probable that fewer waivers would have been approved and more recoveries made had this been accomplished.

Case 6 is an example of a waived overpayment in which the individual's income exceeded expenses and the expense data provided did not appear reasonable and should have been verified.

Case 6

A widow was overpaid \$922 due to excess earnings in 1976. She applied for waiver on the basis that she was without fault in causing the overpayment and repayment could cause financial hardship. Her financial statement indicated she had monthly income of \$1,295 with expenses of \$1,193; a recovery reviewer approved the waiver on this basis. But the reviewer did not consider that her income exceeded expenses by \$100 and that some of the monthly expenses listed appeared unreasonable. (Expenses which appeared unreasonable included clothing of \$120 and insurance of \$120 per month.)

SSA officials agreed that the procedures for developing financial data need to be emphasized, but they stated that the compromise instructions are intentionally general to permit flexibility, depending on the facts of each repayment case. Further, recovery reviewers at PSCs are classified at a grade level that requires the use of judgment; SSA officials stated that they should not need hard and fast rules about evidence needed for verifying financial data. But the SSA officials stated that they will review these procedures and clarify them where necessary.

AUTOMATIC TERMINATION OF OVERPAYMENTS
UNDER \$200 NEEDS REEVALUATION

There is a point of diminishing return in pursuing overpayment recovery, beyond which extensive recovery efforts are not economically justified. SSA established this at \$200 and has programmed its computers to automatically terminate at this point on overpayments to individuals no longer receiving benefits when:

- No reply to a demand letter for repayment is received within 30-60 days. (Although only one demand notice is required, a reminder notice is sent by PSCs 30 days after the initial letter. Thus, the overpaid individual is allowed 60 days before recovery actions are terminated.)
- The overpaid person alleges an inability to repay after receiving one demand letter.
- SSA accepts an offer by an overpaid person in response to the demand letter to pay by installments or in the future, and SSA receives no reply to its offer of acceptance within 30 days.
- The outstanding balance of an overpayment drops below \$200 and the person fails to either make a subsequent payment or respond to one reminder notice.

Based on our findings, the \$200 limit should be reevaluated by SSA. We found that 10 of 50 terminated cases reviewed involved overpayments under \$200 which were automatically terminated. Documentation in 4 of the 10 case files indicated that the overpayments could have been recovered with minimal additional effort since these individuals had either been making prior payments or showed cooperation in returning uncashed checks to which they were not entitled. Further, we found one example where an individual made a payment after the case was terminated by SSA. Cases 7 and 8 indicate that automatic termination of overpayments under \$200 is not always warranted.

Case 7

A student was overpaid \$219 in 1974 because he had excess earnings and was no longer attending school full time. A demand notice was sent to the student in September 1977. In December 1977

he remitted \$100 with a letter promising to repay the balance of \$119 within 2 months. A reminder notice was sent to the student in February 1978, but no response was received within 60 days. Recovery efforts were terminated in April 1978.

Case 8

A widow and her dependent child were each overpaid \$143 in November 1977 because the child married in that month, thereby eliminating their eligibilities. They were notified of the overpayments in February 1978 and a followup notice was sent in March 1978. No response was received, and on April 14, 1978, the case was terminated. The two benefit checks were returned, uncashed, on April 28, 1978.

SSA officials stated that the \$200 figure used to determine automatic termination of an overpayment account is an arbitrary limit and should be used, in accordance with the claims manual, only as a general guide. They agreed that if the case file indicates a prior pattern of compliance by the individual, additional followup efforts are in order and this fact should be emphasized in SSA procedures.

CHAPTER 4

HOW SSA CAN RESOLVE ITS RECOVERY PROBLEMS

The amount of overpayments being made by SSA to retirement, survivors, and disability insurance beneficiaries is high and constantly rising. The ultimate remedy is, of course, to stop making overpayments. But given that a multibillion dollar expenditure program such as SSA's will always have some overpayments, SSA must take the next best approach: fulfill its responsibility to recover the overpayment once it is made.

Until recently SSA had not been totally responsive to its recovery responsibilities. As a result, the managerial attention needed--at all levels within the agency--to establish and maintain an effective recovery program had been insufficient, and the program had not received the emphasis and support it required. The SSA Commissioner is now initiating action to assure that SSA's recovery program is as effective as possible. In this regard, SSA must improve the technical guidance provided to recovery personnel; develop more comprehensive statistical data to properly evaluate the scope of the recovery problem; reexamine and adhere to policies and procedures pertaining to proper recovery methods; and assure that recovery personnel use only the most efficient and effective recovery techniques. Failure to do this has adversely affected the recovery of overpayments and has contributed to the annual losses which the Government suffers when recovery efforts are stopped with little or no monetary return. SSA recognizes this and is now making efforts in this direction.

RECOMMENDATIONS TO THE SECRETARY, DEPARTMENT OF HEALTH, EDUCATION, AND WELFARE

To improve the effectiveness of SSA's recovery program, we recommend that the Secretary of Health, Education, and Welfare require the SSA Commissioner to:

- Determine to what extent full-time specialists in district offices could do a more effective job with recovering overpayments from beneficiaries and recipients. This should be done on an experimental basis; consideration should be given to the assignment of specialists by geographic area (i.e., district area, metropolitan, etc.) to determine which models are most successful. Personnel assignments should reflect population density, nature and scope of over-

payments in various geographic areas, and other pertinent factors. Based upon the results, SSA should modify organizational structures and employee assignments, if warranted, to assure that the most effective recovery processes are institutionalized.

- Require managerial personnel at district offices to provide service representatives with greater direction, supervision, and feedback on their recovery work.
- Immediately refine ROAR's system output to define the exact composition of the outstanding balance on unsettled accounts. This should include potential adjustment cases, accounts being recovered through installments, cases where recovery will be attempted from individuals no longer on the benefit rolls, and the length of time each overpayment has been outstanding.
- Assure that the task force report on recovery reviewer alternatives, issued in August 1978, receives immediate attention. Further, appropriate action should be taken to provide recovery reviewers with feedback on their work, and efforts must be made to overcome the present inadequate technical leadership, training, and quality assessment at the program service centers.
- Examine recovery provisions of the claims manual to clarify procedures, eliminate inconsistencies, and provide more explicit direction in terms of direct contact with the overpaid individual and who should do it, negotiation of compromise offers, and evaluation of financial data.
- Reevaluate the computer program provision, which authorizes automatic termination of any account that is or drops below \$200 after one demand notice is issued.

AGENCY COMMENTS

SSA officials agreed to act on all of our recommendations. Further, the Director of the Bureau of Retirement and Survivors Insurance stated that immediate action is now being taken to:

- Explore an appropriate sample size and identify specific areas to measure when examining "end of line" (final) determinations by recovery reviewers.
- Work with the Bureau of Data Processing on the next stage of ROAR.
- Address district office management problems and explore, control, and follow up on recovery cases at district offices.
- Resolve any confusion which exists about claims manual procedures (i.e., settlement of the overpaid amount through compromise, etc.).
- Determine if anything can be done to further refine the recovery manual (which was recently updated).
- Review the \$200 computer automatic termination procedure.
- Require program service centers to select individuals to serve as technical assistants to recovery reviewers until position descriptions are established for the claims authorizer technical assistant. (See p. 17.)
- Initiate an "operation train-up" program to provide additional training to recovery reviewers at program service centers.
- Prepare a memorandum to all district offices which reemphasizes the importance of recovering overpayments.

PSC RECOVERY PROCEDURES WHEN OVERPAID INDIVIDUAL NO LONGER ENTITLED TO BENEFITS 1/

When The Amount Of Overpayment Is	Letters Of Contact (Demand Letters) Are Required	If The Overpaid Individual Alleges That He Is Unable To Repay	If The Overpaid Individual Offers To Refund Overpay- ment In Installations Or In The Future	If The Overpaid Indi- vidual Alleges That He Is Without Fault
\$15 or less	No request for refund.	No request for refund.	No request for refund.	No request for refund.
\$15.01 to \$199.99	One demand letter is sent by PSC, a second computer-generated reminder is sent 30 days after the initial notice. (If no reply is received in 30 days, collection efforts are terminated.)	PSC terminates collec- tion effort.	PSC replies to the over- paid individual stating what would be acceptable. If the overpaid individual does not respond to this second letter, collection is terminated.	PSC refers the case to the district office for waiver development and makes a determina- tion.
\$200 and up	Two demand letters are sent by PSC. If there is no reply within 30 days of last letter, the case is referred to the district office for further collection effort.	PSC refers the case to the district office for further collection efforts.	PSC replies to the over- paid individual, accepting the offer or stating what would be acceptable. If the overpaid individual does not respond to the second letter within 30 days, the case is referred to the district office for further collection effort.	PSC refers the case to the district office for waiver development and makes a determina- tion after the district office responds.

1/PSC can attempt adjustment against other beneficiaries on the overpaid account. Other beneficiaries retain the right to appeal such adjustments and to apply for waiver.

PSC RECOVERY PROCEDURES WHEN OVERPAID
INDIVIDUAL IS ENTITLED TO CONTINUED BENEFITS

<u>When The Individual Requests Partial Adjustment</u>	<u>When The Individual Offers To Pay By Installments, In The Future, Or Alleges Financial Hardship</u>	<u>When The Individual Alleges That He/She Is Without Fault In Causing The Over-Payment</u>
PSC ordinarily notifies the beneficiary directly and schedules full withholding to begin 30 days after the notice is sent. <u>1/</u>	PSC makes the necessary benefit adjustment (withholding) and notifies the individual of the adjustment action.	If adjustment is available, PSC is to offer/consider partial adjustment of the individual's benefits.
		PSC refers the case to the district office for waiver development; PSC then makes a determination.

1/Effective January 1, 1979, SSA will propose adjustment at the rate of 25 percent of the overpaid individual's monthly benefit amount.

PSC AND DISTRICT OFFICE PROCEDURES WHEN INDIVIDUAL RESPONDS TO OR DISPUTES OVERPAYMENT 1/

Event	Initial Action Expected Of District Office	Other District Office Action That May Be Required	Initial Action Expected Of PSC	Other PSC Action That May Be Required
The overpaid individual receives notice and questions the overpayment.	If the individual inquires, the district office explains the reason for the overpayment and cites the individual's appeal rights. If insufficient data is available, the district office requests an explanation from PSC.	The district office may be requested by PSC to explain the overpayment to the individual.	PSC responds to the overpaid's request/sends an explanation to the individual or to the district office	PSC may need to obtain information to support the explanation from other SSA components (Bureau of Disability Insurance) or other agencies (Treasury Department).
The individual requests reconsideration.	District office personnel obtain information from individuals who apply for reconsideration and forward it to PSC for evaluation.	The district office may explain the outcome of the reconsideration to the individual (following a notice of decision from PSC).	PSC reviews information on the case, makes a determination, and notifies the overpaid individual or the district office of results.	-
The individual requests a waiver.	The district office obtains information from the individual for waiver application (and is responsible for the accuracy of that information); forwards waiver application to PSC.	The district office may be requested by PSC to obtain additional information or clarify information on the waiver application.	The PSC recovery reviewer reviews the waiver application, makes a determination, and notifies the individual of the decision.	The waiver determination may require several higher level reviews, depending on the amount of the overpayment. (Second waiver determination) If the individual is dissatisfied with an initial determination, a second waiver determination is required.

1/If an overpaid individual receiving benefits disputes the overpayment and exercises his/her appeal rights, SSA cannot recover the overpayment by withholding monthly benefits until the liability is determined to exist. The overpaid individual is allowed 30 days from the date he/she is notified of the overpayment to request reconsideration of SSA's determination.



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