
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FOLLOW-UP OF PENDING
WORKERS' COMPENSATION**

July 2010 A-08-09-19167

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

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The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

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- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
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SOCIAL SECURITY

MEMORANDUM

Date: July 12, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Follow-up of Pending Workers' Compensation (A-08-09-19167)

OBJECTIVE

Our objectives were to determine the status of corrective actions the Social Security Administration (SSA) had taken to address recommendations in our September 2005 report, *Follow-up of Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments* (A-08-05-25132),¹ and update the volume of Title II disability cases with pending workers' compensation (WC) claims.

BACKGROUND

All States require that employers provide WC insurance for employees in the event they suffer work-related injuries or occupational diseases.² The *Social Security Act* requires that SSA offset disability benefits for individuals who receive Federal, State, or locally administered WC benefits in most States.³

When an individual applies for Title II disability benefits, SSA field office personnel determine whether the applicant may also be receiving WC payments.⁴ If SSA

¹ This audit followed up on recommendations in our June 2003 report, *Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments* (A-08-02-12064).

² The District of Columbia, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands have similar provisions.

³ SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*. Section 223(a) of the Act (42 U.S.C. § 423(a)) provides monthly disability benefits to insured individuals meeting specific disability requirements. Section 224(a) (42 U.S.C. § 424(a)) requires that SSA offset disability benefits by any other disability benefits paid under any law or plan of the United States, a State, or political subdivision. However, 15 States are required by State law to offset WC benefits with Title II benefits.

⁴ SSA's WC policies and procedures are contained in Program Operations Manual System, section DI 52100.

approves disability benefits and the applicant's WC claim is pending, SSA requires that the beneficiary self-report receipt of subsequent WC payments to SSA. Additionally, SSA policies and procedures require that personnel follow up on cases with pending WC claims until they are resolved. To remind personnel to follow up on pending WC claims, SSA's Modernized Claims System generates a one-time diary alert to program service center personnel 60 days after Title II benefit approval or on the expected WC decision date, whichever occurs first. If the WC case is still pending when program service center personnel attempt to resolve the first diary alert, personnel must manually establish additional diaries to ensure cases are periodically monitored until they are resolved. If program service center personnel do not establish additional diaries, Title II disability cases with pending WC claims may never be resolved, and SSA overpayments may occur.

Our September 2005 audit determined that SSA had not (1) followed through with steps to reduce its backlog of Title II disability cases having pending WC claims; (2) developed and implemented an automated process to ensure the Agency systematically and routinely follows up on new pending WC cases; or (3) explored systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development. We concluded that, if SSA did not take steps to effectively manage its pending WC workload, it would continue to build a significant backlog of pending WC cases and pay millions of dollars in Title II disability overpayments. Accordingly, we encouraged the Agency to implement the recommendations we made in our June 2003 report. SSA agreed to pursue these initiatives to the extent possible and stated the Agency's resources were limited and prioritized, thereby placing restraints on its ability to undertake additional efforts.

To achieve our audit objectives, we interviewed SSA Headquarters and field personnel, reviewed policies and procedures, and updated the volume of Title II disability cases with pending WC claims for 2 or more years as of November 2009. The SSA entity reviewed was the Office of the Deputy Commissioner for Operations. We conducted our work at the Office of Audit in Birmingham, Alabama. We primarily relied on SSA's Master Beneficiary Record⁵ to complete our review and determined the data used in the report were sufficiently reliable given the audit objective and use of the data. We conducted our work from October through December 2009 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

⁵ The Master Beneficiary Record is an electronic record of payment-related information for Title II beneficiaries.

RESULTS OF REVIEW

SSA had not taken corrective actions to address recommendations in our September 2005 report. Specifically, SSA had not (1) followed through with steps to reduce its backlog of Title II disability cases having pending WC claims; (2) developed and implemented an automated process to ensure it systematically and routinely follows up on new pending WC cases; or (3) explored systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.

Because SSA had not taken corrective actions to identify and prevent overpayments resulting from unreported WC payments and manage its WC workload, the volume of cases with WC claims pending for 2 or more years increased from 227,615 in January 2005 to 268,825 in November 2009, an 18-percent increase over the past 4 years. In addition, we estimated SSA had overpaid Title II beneficiaries between \$44 and \$58 million because of unreported WC payments since our June 2003 report.

STEPS TAKEN TO REDUCE BACKLOG OF PENDING WC CASES

SSA had not followed through with steps to reduce its backlog of Title II disability cases having pending WC claims, as previously recommended. In response to our September 2005 report, SSA agreed to pursue this initiative to the extent possible and stated the Agency's available resources placed restraints on its ability to undertake additional efforts.

To identify unreported WC payments, SSA drafted legislation that would require that State and local governments and other entities that administer WC plans provide the Agency with information on the receipt of payments to an individual under such plans. This legislation would give SSA the authority to regularly receive data needed to properly adjudicate claims involving WC offset. SSA believes such legislation will improve the integrity of the WC reporting process, avoid overpayments, and diminish its reliance on the beneficiary to timely report this information. We support legislation that would assist SSA in managing its pending WC workload and reduce overpayments. However, as of February 2010, SSA had not submitted this legislative proposal for Office of Management and Budget consideration.

To improve the processing of its overall WC workload, SSA established a national "Workers' Compensation Resource Intranet Page," which provides links to State WC sites, lists of WC insurance carriers' names and addresses for obtaining WC verification, guides to SSA software for offset computations, and various training materials. In addition, SSA revised its WC policy and processing instructions in its Program Operations Manual System and established a quarterly WC Policy Forum conference call for employees to discuss WC issues.

An official from the Office of the Deputy Commissioner for Operations told us the Agency plans to pursue processing its pending WC workload to the extent possible.

However, according to this official, SSA resources are limited, and the Agency must take a holistic approach in applying those resources, considering many other priority workloads.

While we recognize that reducing the pending WC backlog may require a significant commitment of resources, we believe SSA has the responsibility to prevent, identify, and recover overpayments to the best of its ability. Accordingly, we believe SSA should develop a plan for addressing its backlog of Title II disability cases that have pending WC issues and establish target goals for reducing improper payments resulting from unreported WC payments.

AUTOMATED PROCESS TO ENSURE SSA SYSTEMATICALLY AND ROUTINELY FOLLOWS UP ON NEW PENDING WC CASES

We determined that SSA had not developed an automated process to ensure it systematically and routinely followed up on cases with pending WC issues, as previously recommended. In response to our September 2005 report, SSA agreed to pursue this initiative to the extent possible and stated the Agency's available resources were limited and prioritized, thereby placing restraints on its ability to undertake additional efforts. SSA also responded that it submitted a proposal to the Information Technology Advisory Board⁶ to set up a computer matching agreement with the Centers for Medicare and Medicaid Services to match their Common Working File⁷ with information in its Master Beneficiary Record on pending WC alert cases.

According to an official from the Office of the Deputy Commissioner for Operations, the Advisory Board did not approve the proposed match, and Operations had not resubmitted the proposal as of December 2009. We believe that recommended systems enhancements would allow SSA to make timely adjustments to Title II benefit payments and avoid overpayments. As such, we continue to encourage SSA to commit the necessary resources to expeditiously develop and implement an automated process to address this issue.

SYSTEMS ENHANCEMENTS TO PROVIDE ACCURATE WC STATUS

We determined that SSA had not implemented systems enhancements to provide accurate WC status, as previously recommended. In response to our September 2005 report, SSA agreed to explore systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.

⁶ This SSA inter-component Advisory Board evaluates systems projects and priorities and determines which can be accomplished within the Agency's limited resources.

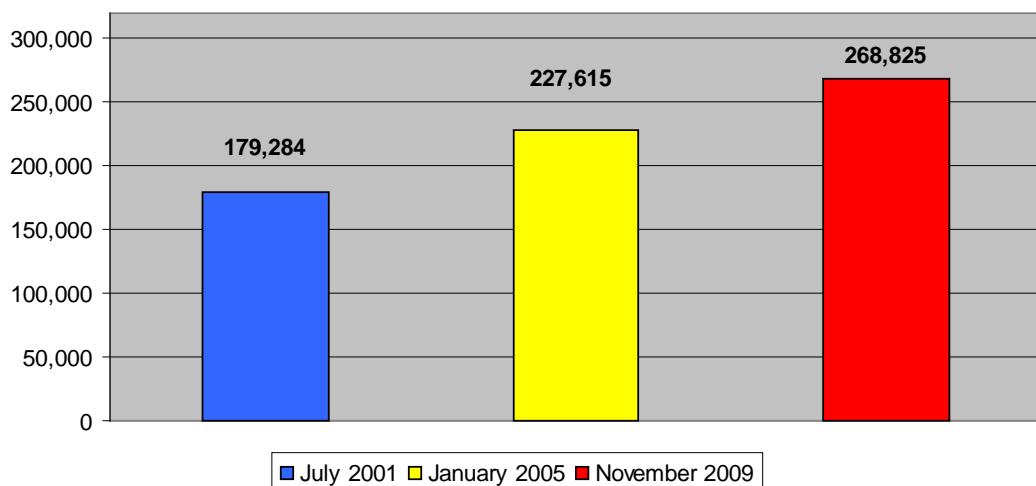
⁷ This File contains information about WC involvement after 2 years of disability entitlement and could be used to help SSA clear its pending WC alert cases.

An official from the Office of the Deputy Commissioner for Operations told us the Agency had pursued agreements with private organizations that support insurance companies processing WC claims to obtain accurate WC information. However, SSA had not been successful in completing such agreements as of December 2009. While we recognize systems enhancements may require significant resources, we believe such changes would prevent personnel from retrieving and analyzing cases that no longer require development. Accordingly, we continue to encourage SSA to commit the necessary resources to identify systems enhancements that would detect situations in which WC is not actually pending.

VOLUME OF PENDING WC CASES INCREASED

Because SSA had not taken sufficient actions to reduce its backlog, the volume of cases with WC claims pending for 2 or more years increased from 227,615 in January 2005 to 268,825 in November 2009, as illustrated in Figure 1. This represents an 18-percent increase over the last 4 years and a 50-percent increase since 2001.

Figure 1: Title II Cases with WC Issues Pending for 2 or More Years



Source: SSA's Master Beneficiary Record

To estimate the overpayments that have occurred since our 2003 audit,⁸ we identified 100,501 new WC cases that had been pending for 2 or more years as of November 2009.⁹ In our June 2003 audit, 6 of our 10 overpayments (from a sample of 100) had an unreported WC payment period of 8 years or less, the same period of time as covered in this follow-up review. Therefore, we estimate approximately 6,030 ($100,501 \times .06$) cases in our current 100,501 population have unreported WC payments. We determined that the median and mean values of the six overpayments in our 2003 audit were \$7,297 and \$9,751, respectively. Applying these values to our

⁸ In our June 2003 report, we estimated that SSA overpaid 17,890 Title II disability beneficiaries almost \$121 million because of unreported WC payments.

⁹ These are new pending WC cases that began after July 1999, the cutoff date for our 2003 audit.

current population, we estimate SSA overpaid approximately 6,030 beneficiaries between \$44 million ($\$7,297 \times 6,030$) and \$58 million ($\$9,751 \times 6,030$) because of unreported WC payments. We believe this is a conservative estimate because it excludes any continuing overpayments from cases estimated in our 2003 audit and does not account for cost-of-living adjustments.

To help reduce improper payments in the Government, the President signed Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, in November 2009.¹⁰ This Order states that agencies “. . . must make every effort to confirm that the right recipient is receiving the right payment for the right reason at the right time.” The order also adopted a comprehensive set of policies, including transparency and public scrutiny of significant payment errors throughout the Government; a focus on identifying and eliminating the highest improper payments; accountability for reducing improper payments among executive branch agencies and officials; and coordinated Federal, State, and local government action in identifying and eliminating improper payments. In addition, the order requires agencies to set target goals for reducing improper payments.

CONCLUSION AND RECOMMENDATIONS

We believe SSA has a stewardship responsibility to ensure it properly pays beneficiaries, thus avoiding overpayments. If SSA does not take steps to effectively manage its pending WC workload, it will continue to build a significant backlog of pending WC cases and pay millions of dollars in Title II disability overpayments.

Accordingly, we recommend that SSA:

1. Develop a plan for addressing its backlog of Title II disability cases having pending WC issues and establish target goals for reducing improper payments resulting from unreported WC payments.
2. Develop and implement an automated process to ensure the Agency systematically and routinely follows up on new pending WC cases.
3. Explore systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.
4. Work with the Office of Management and Budget to develop legislation that would require that State and local governments and other entities that administer WC plans provide the Agency with WC payment information.

¹⁰ 74 Federal Register 62201.

AGENCY COMMENTS

SSA agreed in principle with our recommendations. The Agency's comments are included in Appendix A.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr."

Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Agency Comments

APPENDIX B – OIG Contacts and Staff Acknowledgments

Appendix A

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: July 1, 2010

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: James A. Winn /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Follow-up of Pending Workers' Compensation" (A-08-09-19167)--INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. We agree in principle with your recommendations and stand by our original comments. We will pursue these initiatives as resources allow, as we must balance this workload against other agency priorities.

Please let me know if we can be of further assistance. Please direct staff inquiries to Candace Skurnik, Director, Audit Management and Liaison Staff, at extension 54636.

Appendix B

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director

Jeff Pounds, Audit Manager

Acknowledgments

In addition to those named above:

Charles Lober, Senior Auditor

For additional copies of this report, please visit our web site at
www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-08-09-19167.

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