

Office of the Inspector General

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William A. Halter  
Deputy Commissioner  
of Social Security

Inspector General

Workers' Compensation Unreported by Social Security Beneficiaries (A-04-98-64002)

Attached is a copy of the subject final report. The objective of the audit was to determine whether Social Security Disability Insurance beneficiaries were reporting the receipt of State workers' compensation (WC) benefits or changes in those benefits to the Social Security Administration (SSA). We focused on the procedures SSA used to identify State WC benefits and subsequent changes in the amount of the periodic WC payment.

You may wish to comment on any further actions taken or contemplated on our recommendations. If you choose to comment, please provide your comments within 60 days of the date of this memorandum. If you wish to discuss the final report, please call me or have your staff contact Daniel R. Devlin, Acting Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**WORKER'S COMPENSATION  
UNREPORTED BY SOCIAL  
SECURITY BENEFICIARIES**

**December 1999**

**A-04-98-64002**

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**AUDIT REPORT**

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# **EXECUTIVE SUMMARY**

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## **OBJECTIVE**

The objective of this audit was to determine whether Social Security Disability Insurance (DI) beneficiaries were reporting the receipt of State workers' compensation (WC) benefits or changes in those benefits to the Social Security Administration (SSA).

## **BACKGROUND**

SSA administers the Old-Age, Survivors and Disability Insurance program under title II of the Social Security Act (Act). Section 223(a) of the Act requires SSA to provide monthly Social Security DI benefits to individuals who are insured for disability and meet specific disability requirements. In some cases, SSA must "offset" the monthly DI benefit if the individual is receiving other disability payments granted under a law or plan of the United States, a State, or political subdivision. Therefore, during the DI application process, SSA attempts to determine whether the beneficiary is or will be receiving any other Federal or State disability benefit that would require offset. In addition, the claimant is instructed to report any subsequent changes to the WC data given at the time of the application for benefits. This includes the receipt of additional disability benefits or changes in the current WC benefit amount. SSA's policy is to rely on each beneficiary to voluntarily report subsequent WC changes. However, if a beneficiary fails to report, SSA may overpay or underpay the DI benefits authorized under section 223(a) of the Act.

To meet our audit objective, we performed two tests. First, we obtained a data extract from the SSA Master Beneficiary Record (MBR) that contained 183,881 cases coded as having a State WC offset during the period January 1, 1993, through June 30, 1996. Beneficiaries in the 183,881 cases received an estimated \$7.6 billion (see Appendix C) in DI benefits from their month of entitlement through June 1998. We used the population of WC offset cases to sample records and identify payment errors resulting because beneficiaries failed to report subsequent changes in State WC status and benefits. Second, we compared WC records obtained from the Commonwealth of Kentucky and the State of Tennessee against SSA records to determine whether DI beneficiaries were reporting State awarded benefits at the time of application. Our audit included an assessment of controls over the reporting of WC by beneficiaries. We performed our audit work from August 1998 through April 1999 at field offices in Atlanta and Tucker, Georgia; the central office in Baltimore, Maryland; and the program service center in Birmingham, Alabama.

## **RESULTS OF REVIEW**

A major cause of inaccurate DI benefit payments stems from the fact that beneficiaries still were not voluntarily reporting changes in WC status and benefits. Out of a population of 183,881 WC offset cases, we estimate that 57,003 cases may have unreported WC activity causing payment errors with a total dollar error of about \$325.8 million.<sup>1</sup> Without a proactive strategy to identify the existence of WC and subsequent changes in WC benefits, SSA has no means of identifying and correcting existing DI payment errors resulting from initial WC offsetting errors or the subsequent failure of a beneficiary to report WC changes.

### **WC ELIGIBILITY AND BENEFIT CHANGES**

From a review of 100 cases, we identified 31 cases in which beneficiaries did not report changes in either WC status or benefit amounts causing SSA to make incorrect DI payments in 23 of those cases. Historically, SSA has relied on beneficiaries to report subsequent changes in WC status and benefits and has not initiated any proactive measures to identify unreported WC benefits. Therefore, we estimate that for the population of 183,881 WC offset cases, the trust fund lost \$214.4 million due to DI overpayments, and beneficiaries were underpaid \$111.4 million in DI benefits.

### **WC BENEFITS IN KENTUCKY AND TENNESSEE**

Through a data match of Kentucky and Tennessee WC records against SSA records, we identified six cases where DI beneficiaries were concurrently receiving State WC benefits, but SSA records did not have a WC indicator. This meant that SSA had not considered WC when calculating the DI benefit. Of the six cases, one claimant told SSA, when applying for DI benefits, that he had not and did not intend to file for State WC. However, evidence in the case file identified the disability as work-related. The claimant later filed for and collected WC but did not notify SSA.<sup>2</sup> The other five claimants reported State WC in their DI application, but SSA did not record it on the MBR. These five claimants later received WC or had changes in WC benefits that went unreported. Because SSA did not code these as WC cases in the MBR, there was no follow-up to identify WC, and DI offset never occurred. In these six cases, SSA overpaid DI benefits by \$29,797.<sup>3</sup>

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<sup>1</sup> The projected total dollar error is the sum of estimated overpayment errors totaling \$214.4 million and underpayment errors of \$111.4 million. The net effect of these errors on the Social Security trust fund would be an estimated loss of \$103 million.

<sup>2</sup> Based on this information, the SSA should have coded this case as a pending WC offset case and continued its development to resolve the claimant's discrepant answer.

<sup>3</sup> Kentucky and Tennessee cases represented 5.4 percent of our total population of 183,881 State WC cases.

## **STATE MATCHING TO IDENTIFY AND VERIFY WC ACTIVITY**

Matching SSA DI data against a State WC record is the most expedient process for identifying unreported WC benefits and the failure to offset reported WC at application. However, SSA has made little progress in obtaining this source of data. Over 15 years have passed since the U.S. General Accounting Office first reported the issue of beneficiaries failing to report WC benefits and discussed the potential benefit of obtaining WC data directly from the States. Thus far, SSA has been able to obtain on-line access to State WC data in just five States. These 5 States accounted for less than 6 percent of the 183,881 WC cases in our population. SSA has no other proactive means to identify unreported and unadjusted WC activity. SSA continues to depend on the beneficiary to voluntarily report changes in WC status and benefits that can adversely impact DI payment accuracy.

## **CONCLUSIONS AND RECOMMENDATIONS**

One of SSA's strategic goals is to make SSA program management the "best in business." This goal reflects SSA's responsibility, from both a service and business perspective, to pay benefits accurately and otherwise be a good steward of the money entrusted to its care. In the 1997-2002 Social Security Strategic Plan, SSA management expressed its view that the public deserves the highest possible level of performance. As such, benefits should be paid accurately to ensure that the right people get the right payment. In this vein, the Agency declared that its focus would be to avoid both overpayments and underpayments and making improvements in areas known to cause payment inaccuracies.

As demonstrated in this report, the failure of beneficiaries to voluntarily report changes in WC status and benefits, and SSA's inability to independently identify those WC changes are major causes of inaccurate DI payments. Relying solely on beneficiaries to voluntarily report WC and subsequent WC changes has not been a viable control. Instead, SSA needs to take a proactive approach to identify subsequent changes in DI beneficiary's WC benefits and status. Only through this effort can SSA hope to improve DI payment accuracy and prevent the unnecessary overpayment and underpayment of benefits.

Therefore, we recommend that SSA:

- In those States where SSA has on-line access to WC data, perform a periodic match of DI beneficiary WC benefit rates used for offset against the WC rates paid and adjust for any discrepancies.
- For those States where on-line matching of WC data is not a current option, negotiate agreements with State officials to periodically obtain computer extracts of State WC information and benefit payments. Match the State WC rates against the rates used for offset, as recorded on the MBR, to identify potential nonreporters and

cases not properly offset. Emphasis should be initially placed on those States with the highest WC activity.

- In those States where WC data cannot be obtained for computer matching, institute alternative measures to proactively identify WC benefits and benefit changes that are unreported by DI recipients. For example,
  - Through a mass mailing, reaffirm with DI beneficiaries their WC reporting responsibilities and request current information on past WC lump sum benefit payments and/or changes in periodic payments, or
  - During the current continuing disability reviews, inquire about post-application WC changes that could require the offset of DI benefits. If WC changes are indicated or discrepant answers are provided, diary for follow-up and resolution.
- Take the required action in the cases sampled to resolve the \$116,600 in overpayments and \$60,554 in underpayments that resulted when beneficiaries failed to report subsequent changes in State WC benefits. Also, collect the overpayments of \$29,797 that resulted from the Kentucky and Tennessee cases because SSA either did not adjust for the WC benefits reported or the beneficiary failed to report State WC benefits.

## **AGENCY COMMENTS**

SSA acknowledged that payment accuracy problems exist in the DI workload involving WC and recognized the merit of our reported findings and proposed recommendations. In response, SSA has agreed to pursue WC data matches in the States where it currently has on-line access and in other States concentrating on the ten largest WC States. In addition, SSA established a WC work group that is devising a comprehensive plan to improve payment accuracy. This plan would include WC data matching with States and a number of other clean up and prevention efforts to address the deficiencies identified. The actions to be taken by the work group are detailed in SSA's response (see Appendix D).

## **OFFICE OF THE INSPECTOR GENERAL RESPONSE**

We are pleased that SSA has taken steps and agreed to take additional steps to improve the accuracy of DI payments involving WC. We are also pleased to be participating in the WC work group effort intended to resolve the reported problems. Overall, we believe the actions SSA has taken and those it proposes should go far in helping correct the WC offset deficiencies that result in DI payment errors. Specifically, SSA's commitment to arrange for WC data exchange under State matching agreements and to perform periodic mass mailings to update beneficiary WC information will be major steps toward identifying and eliminating unreported WC as a major cause of DI overpayments and underpayments.

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# **INTRODUCTION**

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## **OBJECTIVE**

The objective of this audit was to determine whether Social Security Disability Insurance (DI) beneficiaries were reporting the receipt of State workers' compensation (WC) benefits or changes in those benefits to the Social Security Administration (SSA). We focused on the procedures SSA used to identify State WC benefits and subsequent changes in the amount of the periodic WC payment.

## **BACKGROUND**

SSA administers the Old-Age, Survivors and Disability Insurance program under title II of the Social Security Act (Act). Section 223(a) of the Act requires SSA to provide monthly Social Security DI benefits to individuals who are insured for disability insurance and meet specific disability requirements.

Some individuals, if injured on the job, may also be eligible for benefits under Federal and State WC programs. With the availability of dual disability benefits through Social Security DI and Federal and State WC programs, a disabled worker could actually experience an increase in earnings. The worker could be entitled to more in combined disability benefit payments than he/she was earning prior to becoming disabled.

### **WC Offset**

Congress, concerned that those workers experiencing increased earnings under disability may not be motivated to actively seek rehabilitation, enacted the WC offset provision under section 224 of the Act. This provision requires SSA to offset DI payments by any other disability benefits paid under any law or plan of the United States, a State, or political subdivision. This would include benefits authorized under the Longshore and Harbor WC Act, Federal Employees Compensation Act, Federal Mine Safety and Health Act - Part C, and various State WC programs. In each instance, the Social Security DI benefit is the one reduced.<sup>4</sup>

### **The DI Payment Process**

In accordance with section 224(e) of the Act, SSA determines the status of WC benefits during the application process by asking claimants if they have filed or intend to file a

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<sup>4</sup> Total benefit payments, with respect to the worker, will not be reduced below the amount of the unreduced monthly Social Security benefit (primary insurance amount), sections 224(a) and 224(d) of the Act.

WC claim. Once a favorable disability determination is made, SSA calculates a monthly DI payment by offsetting benefits when WC is indicated. SSA uses either the WC amount alleged by the claimant or the State maximum WC rate listed in the Program Operations Manual System (POMS) to calculate the initial monthly DI benefit.

Once a DI payment is authorized, SSA will send a letter of notification to each beneficiary explaining how the monthly Social Security DI benefit was impacted by the WC offset. The beneficiary is advised that, if the verified amount of State WC payments differs from the amount alleged or the State maximum, the initial monthly DI benefit could change.

SSA subsequently solicits appropriate WC verification from the primary beneficiary and, possibly, his/her attorney. If the worker is unable to provide the appropriate verification, SSA will send out third-party verification requests to: (1) insurance carriers, (2) the State WC board, (3) self-insured employers, and/or (4) the courts. SSA's policy is to establish 60- and 90-day diaries to follow up on cases where WC verification is pending and to continue to redevelop and re-diary until the WC is verified. If the verified amount of State WC differs from that used to calculate the initial DI payment amount, SSA recalculates and adjusts the monthly DI benefit. If any overpayment or underpayment results, SSA settles with the beneficiary.

### **Post-adjudicative Adjustments to DI Benefits**

Any future change in the beneficiary's WC benefit can result in subsequent readjustments to the monthly Social Security DI benefit. Therefore, beneficiaries are instructed, when they make their DI application, to report any WC changes directly to SSA. For example, an award of new or additional State WC benefits or a change in the amount of monthly WC benefits paid should be reported. SSA's policy is to rely totally on the beneficiary to voluntarily report subsequent changes that could affect benefits. If reported, SSA will withhold at the new alleged amount. However, SSA must obtain verification of the reported change. In those cases where the beneficiary elects not to report WC changes, DI benefits may be overpaid or underpaid.

Under section 224(h)(2) of the Act, SSA has the authority to enter into agreements with States to obtain WC data to match that information against SSA records. This provides an independent mechanism for making timely determinations regarding subsequent changes in State WC that would require offset.

### **Payment Accuracy Goals**

One of SSA's strategic goals is to make program management the "best in business." This goal reflects SSA's responsibility, from both a service and business perspective, to pay benefits accurately and otherwise be a good steward of the money entrusted to its care. In the 1997-2002 Social Security Strategic Plan, SSA management expressed its view that the public deserves the highest possible level of performance. As such, benefits should be paid accurately to ensure that the right people get the right payment.

In this vein, the Agency expressed that its focus would be to avoid both overpayments and underpayments and improve areas known to cause payment inaccuracies.

### Prior Audit Reports

The U.S. General Accounting Office (GAO) and the Department of Health and Human Services, Office of Inspector General (HHS/OIG), reported in prior reviews that DI recipients were withholding information from SSA regarding WC payments.

In 1983, GAO issued a report that indicated, for one-third of the cases tested, disabled persons receiving WC were not notifying SSA about these benefits.<sup>5</sup> In these cases, there was no information in the SSA case file to indicate that these persons were or were likely to be entitled to WC benefits. For the other two-thirds, SSA failed to follow up on WC information documented in the case file. For a long-term solution, GAO recommended that SSA explore ways of using computer technology to obtain timely notice of WC awards. GAO also recommended that SSA do a better job of case file development and review to identify offset cases.

HHS/OIG issued a 1991 report<sup>6</sup> documenting overpayments totaling \$35 million from 1986 through 1988 because SSA beneficiary records had no WC payment indicators. HHS/OIG also projected an annual overpayment of \$11.7 million that would reach \$117.8 million by 1995 due to unreported WC payments to beneficiaries. HHS/OIG recommended SSA reemphasize the importance of properly coding its payment systems to reflect actual or potential WC payments. HHS/OIG also recommended SSA expedite negotiations and consider expansion of information-exchange agreements with several States to help identify the unreported WC. In its response, SSA maintained that further study was needed to determine whether a legislative proposal requiring States to provide SSA with WC payment information was necessary before the agreements could be negotiated.

In 1996, GAO issued a report<sup>7</sup> discussing possible administrative and program savings if SSA would directly access State data. Although the report was directed at savings in the Supplemental Security Income program, GAO found almost 90 percent of overpayments occurred when beneficiaries did not report State-administered benefits, including WC, to SSA.

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<sup>5</sup> *Better Case File Monitoring of the Workers' Compensation Offset Provision by Social Security Administration Could Save Millions* (GAO/HRD-83-90), September 30, 1983.

<sup>6</sup> *Unreported Worker's Compensation Payments* (OEI-06-89-00900), November 1991.

<sup>7</sup> *Supplemental Security Income: Administrative and Program Savings Possible by Directly Accessing State Data* (GAO/HEHS-96-163), August 24, 1996.

## **SCOPE AND METHODOLOGY**

To accomplish our objective, we reviewed laws and regulations concerning the offset of DI benefits with WC payments and related SSA policies and procedures in POMS. We also discussed the WC offset process with SSA Headquarters, regional, and field office (FO) personnel to obtain an understanding of how WC payments affect DI benefits, and we observed SSA personnel processing WC offset at FOs and the Office of Central Operations. We also reviewed prior audits to identify previously reported conditions relating to beneficiaries failing to report State WC benefit information.

To test whether DI beneficiaries were voluntarily reporting WC benefits, we used an SSA data extract from the Master Beneficiary Record (MBR) identifying all beneficiary records with an offset indicator<sup>8</sup> for State WC. We limited our review to those cases involving the offset of State-managed WC benefits. We did not review other public disability benefits requiring offset under section 224 of the Act including both State and Federal public disability benefits or any combination of State-managed WC benefits and public disability benefits. The SSA extract contained 183,881 cases with a State WC offset action occurring during the period January 1993 through June 1996.

We used the MBR extract to select a simple random sample of 100 cases. This was the same sample of 100 cases we used to evaluate DI payment accuracy in *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits*, A-04-96-61013, September 30, 1998.

During our analysis of DI payment accuracy, we found instances where beneficiaries failed to report changes in their WC status or benefits resulting in DI payment errors. However, to more closely examine this issue, we decided to perform additional audit work and separately report on the overall effects of beneficiaries failing to voluntarily provide WC information. While we sampled 100 cases, we subsequently limited our review to 50 cases because of the number of instances identified where changes in WC were not reported. We concluded that the level of noncompliance identified in the 50 cases was sufficient to demonstrate that an adverse condition existed.

To meet our objective, we made inquiries to identify any WC activity subsequent to the initial verification process. Finally, we queried data in the MBR, the Supplemental Security Income Record, the Payment History Update System, and the Processing Case Action and Control System to identify SSA's latest actions on the 50 cases and the most current WC status of each beneficiary. We compared SSA's information against that obtained to identify cases of nonreporting. The results of that analysis are presented in this report with case overpayments and underpayments computed from the effective date of the unreported WC action through June 30, 1998.

To test the nonreporting of State WC data to SSA, we contacted the eight States in the Southeastern Region to explore the possibility of extracting data directly from each

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<sup>8</sup> We selected those cases with an Offset Code for WC and an Offset Type identified as State WC.

State's WC master file for comparison with SSA records. Six of the States could not readily provide WC data because: State law prohibited the release of WC data; formal agreements would be required; or the data captured were not computerized or, if computerized, were incomplete. Only the Commonwealth of Kentucky and the State of Tennessee could readily accommodate our request for WC benefit and payment data. They provided us data from their WC master file for those records having an "onset disability date" occurring from July 1, 1995, through June 30, 1996.

We performed our audit field work from August 1998 through April 1999. Our audit included an evaluation of existing controls, policies, and procedures specifically related to the reporting of WC by beneficiaries. However, we did not determine the reliability of the SSA systems or internal controls of those systems related to the MBR extract and the November 1996 extract of disability cases used in this review. Neither did we audit the systems or related internal controls over the Kentucky and Tennessee WC master files.

The findings in our report include any control weaknesses identified during the audit and our recommendations to correct the deficiencies, where appropriate. We performed site visits at Atlanta and Tucker, Georgia; Baltimore, Maryland; and Birmingham, Alabama. We conducted this audit in accordance with generally accepted government auditing standards.

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# **RESULTS OF REVIEW**

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Social Security DI beneficiaries did not report changes in WC status and benefits. This resulted in inaccurate DI benefits payments estimated at \$325.8 million. Historically, SSA's policy has been to rely totally on beneficiaries to report a WC relationship and, once the application process is complete, to report subsequent WC changes. Because SSA did not proactively seek to identify unreported WC, we estimate that 57,003 cases of our population of 183,881 cases received incorrect DI benefits due to unreported changes in WC status and benefits. The inaccurate payments were computed from the effective date of the unreported WC action through June 30, 1998.

In a separate analysis, using WC information provided by the Commonwealth of Kentucky and the State of Tennessee, we identified six Social Security DI beneficiaries who were not listed in SSA records as WC recipients. As a result, for these six cases, SSA improperly paid \$29,797 in excess DI benefits.

## **WC ELIGIBILITY AND BENEFIT CHANGES**

Our review of 50 WC offset cases disclosed that 31 beneficiaries did not report significant changes in WC benefits resulting in overpayments of \$116,600 and underpayments of \$60,554.<sup>9</sup> Projected to our population of 183,881 WC offset cases, we estimate that the trust fund lost \$214.4 million in potential savings, and beneficiaries were deprived of \$111.4 million in benefits for a total DI payment error of \$325.8 million. The net effect of these errors on the Social Security trust fund would be excess outlays of \$103 million.

We limited our actual review to 50 cases because of the number of instances we identified (62 percent of the cases) where changes in WC were not reported. The overall results of our case review showed

- 31 cases where WC changes went unreported;
- 15 cases where beneficiaries voluntarily reported WC changes; and
- four cases where we could not determine whether the beneficiary voluntarily reported or SSA identified the WC change.

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<sup>9</sup> Seventeen of these cases were previously discussed in *Effects of State Awarded Workers' Compensation Payments on Social Security Benefits* (A-04-96-61013), September 30, 1998 as having payment errors. The total overpayment and underpayment amounts previously reported on the 17 cases totaled \$98,953 and \$37,266, respectively.

With 31 of 50 beneficiaries not reporting changes, the evidence was sufficient to demonstrate that an adverse condition existed and to show that SSA's policy of relying totally on beneficiaries to voluntarily report changes in WC benefits was ineffective.

While we limited our review to 50 cases, when we project to the entire population of WC offset cases, our projections are based on the total sample of 100 cases. Using this approach, we elected to accept the remaining 50 cases in our sample, which were not reviewed, as correct. If we reviewed all 100 cases, our reported estimates could reasonably be expected to increase. Therefore, we consider the projected dollar errors and the dollar error rate presented in this report to be conservative (see Appendices A, B, and C).

### ***WC Changes Can Affect DI Benefits***

WC changes affecting DI payment status often occur after the beneficiary first applies for disability benefits. It can take several months or even years between the time the beneficiary initially applies for DI benefits and when the WC change occurs. Therefore, over the extended period, DI overpayments and underpayments can become significant because the beneficiary failed to report changes in the periodic weekly payment rate or the receipt of a lump sum WC benefit.

Of the 31 cases, we identified the unreported WC changes in 25 cases while SSA identified WC changes in 6 cases. In all 31 cases, the beneficiaries did not inform SSA of the WC change as agreed in the DI application. As a result, SSA made incorrect monthly WC payments in 23 cases. The DI underpayments ranged from \$606 to \$15,649 in 9 cases, while overpayments ranged from \$89 to \$36,014 in 14 cases. In the remaining eight cases, the WC change did not affect monthly benefits because of high average current earnings<sup>10</sup> or there was some other offsetting procedural or calculation error which negated the impact of the unreported WC action.

	<b>Sample Dollar Error</b>	<b>Projected Dollar Error</b>
Overpayments: 14 cases	\$116,599.85	\$214,404,970
Underpayments: 9 cases	<u>\$ 60,553.60</u>	<u>\$111,346,565</u>
<b>Total Error</b>	<b><u>\$177,153.45</u></b>	<b><u>\$325,751,535</u></b>

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<sup>10</sup> Under POMS, both the provisional and final DI benefits must be reduced so the combined disability payment is no larger than 80 percent of the worker's pre-disability earnings (average current monthly earnings) or the total family benefits (that is, the sum of the individual's Social Security benefits payable to all others based upon his work record) before reduction.

Overall, out of the total population of 183,881 cases, we estimate that 57,003 beneficiaries did not make required WC declarations to SSA. When projected to the total population of 183,881, the overpayments and underpayments are significant totaling about \$325.8 million.

For the 23 cases with payment errors, the causes varied. In 13 of the cases, the beneficiary failed to report a lump sum settlement award that ranged from \$1,950 to \$461,611.<sup>11</sup> In the other 10 cases, the beneficiaries failed to report a change in the periodic WC payment amount.

The time it took for the unreported WC action to occur also varied. For 10 of the 31 cases, the WC change occurred between the time of application and time of benefit effectuation. In another 17 cases, the WC action took place months or years after initial award of benefits. In one case, the unreported WC change occurred over 7 years after the individual's DI benefits were effectuated. In the remaining four cases, the WC change occurred before the date of filing or in the same month as benefit effectuation.

Therefore, for the 57,003 cases in which we estimate that WC changes went unreported by the beneficiaries, the type of change and the time such change occurred would have no pattern. Nevertheless, any WC change can affect DI benefits, and heightened controls are needed to detect those changes.

### ***SSA Relied on Voluntary Reporting***

SSA's intent to have beneficiaries voluntarily report WC changes was relatively clear. In response to the work GAO completed in 1983, SSA made changes in the application process to clearly inform beneficiaries of their WC reporting responsibilities. Applicants were required to declare whether or not they applied for WC and its status by making one of the following three statements.

- “I have not filed nor do I intend to file for any workers’ compensation, public disability or black lung benefits.”
- “I have filed or intend to file for workers’ compensation, public disability, or black lung benefits, but I am not (currently) receiving benefits.”
- “I am receiving or expect to receive workers’ compensation, public disability, or black lung benefits.”

In addition to these declarations of benefit status, the applicants were also reminded that, if their status changes, they must report those changes to SSA.

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<sup>11</sup> The effect of a lump sum settlement on title II benefits depends on several things, such as the amount of the beneficiary's average current earnings and the manner in which the settlement is structured by the administrative law judge.

To underscore this requirement, SSA included the following statement in the disability application.

I agree to notify the Social Security Administration if: I apply for or receive a decision on benefits under any workers' compensation law or plan. . . . I agree to report entitlement to and/or changes in the amount of workers' compensation or other public disability benefit. I understand that such benefit may affect my Social Security payments or result in an overpayment which I may have to pay back.

The applicant signed and was provided a copy of the completed DI application that contained the above statement.

Through this process, SSA established beneficiary self-reporting of WC as the principal control for initiating actions to maintain the accuracy of monthly DI payments. However, we found that relying solely on self-reporting did little to ensure that all WC benefits were identified to SSA. It is often not in the beneficiary's best interest to report WC changes, especially in those situations when changes in WC may reduce the monthly DI benefit payment. Without an effective control to require compliance with SSA's self-reporting policy, there is no alternate way for SSA to detect individuals who do not report; therefore, large numbers of WC changes will continue to go undetected.

### ***Post-entitlement Initiatives Can Help***

Processes routinely or previously used by SSA in conducting DI business could easily determine the current status of WC benefits and payments. SSA could then initiate appropriate and timely action to increase or decrease the DI payments before large overpayments or underpayments occur. For example, the use of mass mailings and minor modifications to the current continuing disability review (CDR) process could detect unreported changes in State WC payments.

***Mass Mailings*** - On two separate occasions, in 1984 and 1989, SSA sent mass mailings to DI beneficiaries coded on the MBR as receiving State WC to test the feasibility and cost-effectiveness of an annual or periodic mailing to identify subsequent WC activity. The results of both mailings demonstrated that SSA made substantial errors by either overpaying or underpaying beneficiaries because of unreported State benefits.

In November 1984, SSA reported that 72,333 questionnaires were mailed to disabled workers listed on the MBR as receiving State WC. In April 1985, SSA followed up by mailing 10,996 questionnaires to persons who did not respond to the initial November request. In response to both mailings, SSA reported a 93-percent response rate.

Of the 67,330 disabled workers responding, 2,151 adjustment actions were determined necessary (3.2 percent of the cases) because the reported WC amounts did not agree with SSA records. The total value of errors identified was \$30,954,022. The total error

consisted of \$22,437,277 in overpayments and \$8,516,745 in underpayments. From these results, SSA concluded that the 1984 study was cost-effective and that high program savings could result by sending periodic questionnaires to DI beneficiaries.

In October 1989, SSA performed a second mass mailing of 130,000 questionnaires to disabled workers receiving WC benefits. As in the 1984 study, SSA's response rate was high with 107,883 beneficiaries (83 percent) responding. SSA subsequently determined that 3,151 of these cases (2.9 percent) required \$73,122,553 in adjustments (1,481 cases with overpayments totaling \$35,958,724 and 1,670 cases with underpayments totaling \$37,163,829).

In 1984, the WC questionnaire uncovered a significant number of overpayments as well as a smaller number of underpayments that resulted in net savings for the trust fund. In the 1989 survey, SSA identified more underpayments than overpayments. SSA concluded that, since it corrected the majority of title II disability records with the 1984 mailing, the claimants who were previously overpaid must have started reporting their WC increases. SSA believed that the fewer number of overpayments in 1989 were the result of increased reporting. SSA further noted that from the standpoint of saving Federal dollars, the 1989 mailer had a net loss.

It should be noted that in both the 1984 and 1989 studies, SSA made corrections only in those instances where beneficiaries voluntarily reported a change on the questionnaire. There was no other proactive SSA effort to identify unreported WC benefits by obtaining information directly from State WC agencies or the insurance carriers. Also, the 1989 questionnaire informed the beneficiaries that "You do not have to give us this information. However, if we do not have correct information, we might pay you benefits to which you are not entitled, and you may have to pay this money back."

The lower level of overpayment errors identified in 1989 could be the result of beneficiaries electing not to report WC to prevent reduction in benefits rather than good reporting, as suggested by SSA. The number of unreported WC actions found in our sample appears to support this reasoning. Nevertheless, from both mailings, SSA recognized a benefit to the public by uncovering inaccurate payments.

Both studies successfully identified and corrected MBR errors totaling more than \$104 million (\$58 million in overpayments and \$46 million in underpayments). Each of these studies showed that the value of the DI payment errors resulting from unreported State WC was substantial. They also produced a significant improvement in payment accuracy by identifying those instances of unreported WC and by correcting those payment errors regardless of whether they were overpayments or underpayments. Based on our review, we propose that additional mailings are warranted and, if coupled with a periodic analysis of State WC records, would help eliminate most inaccurate DI payments resulting because beneficiaries are failing to report post-application WC changes.

**Continuing Disability Reviews** - The CDR process can also be used to identify post-application changes in WC. After the initial DI payments begin, SSA establishes a timetable for conducting CDRs. SSA is required by law to conduct CDRs to determine whether a beneficiary has medically improved to the extent the person is no longer considered disabled and eligible for DI benefits. The type of CDR performed will vary depending on the extent of the disability. For example, the most seriously disabled may only receive a periodic mailer while others may be subjected to a full CDR.

For a full CDR, SSA follows an eight-step process. Most of the eight-step process is devoted to re-establishing the medical aspects of the beneficiary's case. However, in the first step, FO staff contact the beneficiary to obtain information on any changes since the original DI application or the most recent CDR. The FO gathers information as to whether the disabling condition continues to interfere with the person's ability to work, or if medical decisions have been made that permit the individual to return to work. At the same time, FO staff could establish the beneficiary's current WC status and request the required WC documentation without much added effort. Likewise, the information requested by mail on the Disability Update Report (SSA-455-OCR-SM) could be expanded to include a question on WC changes. If WC is identified, the beneficiary could then be asked to provide verification. If WC documentation cannot be provided by the beneficiary, SSA could contact the appropriate State WC agency or insurance carrier for independent verification.

Although beneficiaries sign a statement when applying for disability benefits agreeing to report any WC changes, as demonstrated in this report, they do not always comply. When beneficiaries fail to comply, DI benefits are not paid accurately. Overpaying beneficiaries and then aggressively seeking repayment or underpaying and later catching up with retro-payments may rectify payment inaccuracies, but the process falls short of the Agency's goal of making accurate payments and providing world-class service. Consequently, we believe SSA needs to be more proactive in identifying WC using available mechanisms like those discussed above.

## WC BENEFITS IN KENTUCKY AND TENNESSEE

From a comparison of 6,217 Kentucky and Tennessee WC records to SSA records, we matched 159 cases. From these cases, we identified six cases, four in Kentucky and two in Tennessee, where DI beneficiaries were receiving other public compensation, but their DI benefits were not reduced. In five of the six cases, the applicants did actually report that they had filed or intended to file for WC benefits. However, SSA did not code these as WC cases in the MBR. Without that coding, WC was not considered when calculating the DI benefit. In the sixth case, the beneficiary stated in the application: "I have not filed nor do I intend to file for any workers' compensation, public disability, or black lung benefits." However, this beneficiary later applied for, and collected State WC without reporting the change to SSA. As a result, in these six cases, DI benefits were not properly offset and \$29,797 in overpayments occurred.

We compared the 6,217 Kentucky and Tennessee records to an MBR extract of 183,881 active offset cases (312,619 total records) and a separate November 1996 extract of active disability cases (8.2 million records). There were 159 Kentucky and Tennessee cases that matched either the MBR extract or the disability case records. We then queried SSA systems to determine whether these individuals were receiving DI benefits and whether the MBR indicated whether WC had been reported to SSA. There were 33 cases, which indicated SSA had no knowledge of the WC benefits.

To determine whether the beneficiary was receiving State WC while in DI payment status, we requested Kentucky and Tennessee to provide us documentation for past and current WC actions. From that documentation, we established the extent, amount, and timing of any periodic WC payments or lump sum settlements. We also requested SSA FO staffs in Frankfort, Kentucky, and Nashville, Tennessee, to query their systems resources and identify any WC changes appearing since the date of application. We analyzed the FO information and determined that, in 6 of the 33 cases, WC was not properly offset resulting in total DI overpayments of \$29,797.

According to policy, if SSA has any indication that a worker will receive or is receiving a WC payment, or an increase in WC payments, SSA should follow up and impose the appropriate offset. In all six cases, there was enough evidence in the file to indicate that SSA should have recognized the potential for WC and coded systems for appropriate follow-up. To illustrate this point, the following examples are provided.

### **Example 1**

A claimant filed for DI benefits in April 1996 and stated on the application that she had not filed and did not intend to file for any WC, public disability, or black lung benefits. However, evidence in the case file identified this disability as work-related. Based on this information, SSA should have coded this case as a pending WC offset case and continued its development to resolve the claimant's discrepant answer. By not appropriately coding this case, no follow-up occurred. In June 1996, the claimant filed for WC benefits with the Commonwealth of Kentucky. In March 1997, the Commonwealth awarded the claimant a lump sum settlement of \$21,979.38. The claimant was initially entitled to DI benefits in July 1996. Through June 1998, the claimant had received DI benefits totaling \$16,913 that were not offset. However, if SSA would have identified the lump sum settlement and applied the applicable WC offset, our calculations show that the resulting DI payments would have been offset by \$5,759.

## **Example 2**

A claimant filed for DI benefits in January 1996 and stated on the application that he intended to file or had filed for WC or public disability benefits. However, SSA did not code this case as a pending WC offset case. Subsequently, in April 1996, the State of Tennessee awarded the claimant a lump sum settlement of \$12,644.36. The claimant was entitled to DI benefits beginning June 1996, and he and his auxiliaries were paid DI benefits through June 1998 totaling \$30,146. If SSA had properly coded WC in the MBR, it could have taken appropriate follow-up action to identify the lump sum settlement and apply the WC offset for savings of \$3,240.

In 1983, GAO had similar findings regarding SSA following up on WC leads and recognized that computer matching might be the long-term solution. SSA has authority, under the Act<sup>12</sup> to enter into agreements with States to obtain WC data to make timely determinations for WC offset. However, SSA has made little progress in acquiring the State WC data needed for computer matching.

## **STATE MATCHING TO IDENTIFY AND VERIFY WC ACTIVITY**

Matching SSA data with State WC records would be the most expedient method for identifying unreported WC benefits. However, over 15 years have passed since GAO first reported the issue of beneficiaries failing to report WC benefits and discussed the potential benefits of obtaining WC data directly from the States. Over the years, SSA has initiated actions to obtain WC information through direct on-line access, but progress has been slow.

In October 1998, SSA reported on its efforts to obtain direct access to State data.<sup>13</sup> Through negotiated agreements, SSA has had some success in acquiring on-line access to vital statistics, welfare, medical, and food stamp data. Currently, SSA has on-line access with agencies in 22 States with plans to increase on-line access to 45 States by Fiscal Year 2002. However, for WC data, SSA has on-line access in only 5 of the 22 States—Tennessee, Maryland, West Virginia, North Dakota, and South Dakota. Collectively, these 5 States accounted for less than 6 percent of the 183,881 WC cases.

From our MBR extract of 183,881 WC records, we identified the top 10 WC States that represent over half of the Nation's WC cases. At the time of our review, none of these States had matching agreements.

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<sup>12</sup> Section 224(h)(2).

<sup>13</sup> *Management of the Supplemental Security Income Program: Today and in the Future*, October 8, 1998.

<u>Rank</u>	<u>State</u>	<u>Percentage</u>
1	New York	9.4
2	California	8.9
3	Texas	7.7
4	Pennsylvania	6.5
5	Ohio	5.7
6	Puerto Rico	5.6
7	Michigan	4.4
8	Kentucky	3.6
9	Massachusetts	3.5
10	Georgia	3.3
<b>Total</b>		<b><u>58.6</u></b>

Based on conclusions drawn from the 1984 mailing of questionnaires to DI beneficiaries, SSA recognized the value of concentrating efforts in the States with the largest WC activity. SSA noted that the States in which SSA identified the most savings were the large, highly industrialized States of Michigan and Ohio and the two highly populated States of California and New York. Of the \$30.9 million in savings SSA identified in the 1984 study, more than \$14.4 million was related to California, New York, Michigan, and Ohio. These four States, as shown above, continue to have significant WC activity over 15 years after the initial study.

While the 10 States listed accounted for 58.6 percent of the total WC cases, SSA has not been able to acquire direct access to their WC data. In a 1983 GAO report, SSA explained the difficulties in obtaining State WC data and performing computer matches. SSA reported the following.

- A majority of States did not have automated centralized WC records that would facilitate a large-scale, routine matching activity.
- Even for the States with computerized files, the information did not meet the needs of an SSA matching operation. At best, SSA could only perform a matching operation that would produce leads that would necessitate asking SSA FOs to review and resolve each match.
- Some States had limitations regarding the release of information to SSA.

In 1999, SSA is still reporting problems with privacy restrictions that interfere with the matching of data<sup>14</sup> and incomplete State data, which inhibit matching (for example, no payment data, Social Security numbers, etc). As a result, not much has been accomplished in matching SSA records with State WC records since first proposed by

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<sup>14</sup> In May 1997, the Office of the Counsel to the Inspector General (OCIG) issued an opinion addressing the legal barriers involved in obtaining WC data from individual States. The opinion advanced several potential arguments that may be raised in support of the sharing of this information. We propose that SSA's Office of General Counsel and the OCIG work together to refine these arguments in anticipation of likely opposition by the States with regard to the release of this information.

GAO in 1983. At that time, GAO recognized that the widespread use of computer matching was years away; however, based on our conversations with those involved in 1998, obtaining more on-line access to usable State WC data is still a long way off. Until on-line data are available at the State level, SSA could use extracted WC data as a means to identify unreported WC. As was done in Kentucky and Tennessee, SSA could use extracted WC data to screen for DI beneficiaries who are not reporting major WC changes to SSA. Then, SSA could request States to provide documents showing the WC changes. Using these documents, SSA could adjust the MBR and pay beneficiaries the correct DI amount.

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## CONCLUSIONS AND RECOMMENDATIONS

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SSA continues to experience difficulty in getting beneficiaries to provide WC data critical for making accurate DI computations. When SSA is unable to acquire these data, DI benefits may be incorrectly paid resulting in both overpayments and underpayments. Although beneficiaries sign a statement when applying for disability benefits agreeing to report any WC changes, as demonstrated in this report, they do not always comply. When beneficiaries fail to comply, DI benefits are not paid accurately. As expressed by SSA in the 1997-2002 Social Security Strategic Plan, the public deserves the highest level of performance. Placing the burden of reporting subsequent changes in WC status and benefits solely on the shoulders of disabled beneficiaries may not be in the best interest of the beneficiary or the DI program. Overpaying beneficiaries and then aggressively seeking repayment or underpaying and later catching up with retro-payments may rectify payment inaccuracies but falls short of the Agency's goal of making accurate payments and providing world-class service.

SSA has other alternatives to acquire WC information and acquire it timely to ensure accurate DI benefit payments. Therefore, given the high rate of noncompliance, SSA's best approach would be to periodically request WC verification from State agencies to identify unreported WC. Relying on beneficiaries to voluntarily report subsequent WC changes is not a viable control.

Therefore, we recommend that SSA:

1. In those States where SSA has on-line access to WC data, perform a periodic match of DI beneficiary WC benefit rates used for offset against the WC rates paid and adjust for any discrepancies.
2. For those States where on-line matching of WC data is not a current option, negotiate agreements with State officials to periodically obtain computer extracts of State WC information and benefit payments. Match the State WC rates against the rates used for offset, as recorded on the MBR, to identify potential nonreporters and cases not properly offset. Emphasis should be initially placed on those States with the highest WC activity.
3. In those States where WC data cannot be obtained for computer matching, institute alternative measures to proactively identify WC benefits and benefit changes that are unreported by DI recipients. For example,
  - Through a mass mailing, reaffirm with DI beneficiaries their WC reporting responsibilities and request current information on past WC lump sum benefit payments and/or changes in periodic payments, or

- During CDRs, inquire about post-application WC changes that could require the offset of DI benefits. If WC changes are indicated or discrepant answers are provided, diary for follow up and resolution.
4. Take the required action in the cases sampled to resolve the \$116,600 in overpayments and \$60,554 in underpayments that result when beneficiaries failed to report subsequent changes in State WC benefits. Also, collect the overpayments of \$29,797 that resulted from the Kentucky and Tennessee cases because SSA either did not adjust for the WC benefits reported, or the beneficiary failed to report State WC benefits.

## **AGENCY COMMENTS**

SSA believes the report findings have merit and agreed with the recommendations. SSA is pursuing matching agreements in 10 States and is negotiating with other States. While taking corrective action, SSA expressed some concerns over its ability to negotiate matching agreements for every State and the potential cost associated with implementing other supplemental controls.

Because of the problems with the WC workload, SSA has established a WC work group to improve the accuracy of WC payments. The work group will be pursuing a number of efforts, including:

- reviewing over 61,000 WC cases to ensure the payment is correct,
- issuing policy and procedure reminder items to program service center staff,
- testing a mailer to beneficiaries to update WC information, and
- developing recommendations for improving WC systems and controls.

The full text of SSA's comments is in Appendix D.

## **OIG RESPONSE**

We are pleased that SSA has taken steps and agreed to take additional steps to identify unreported WC and improve the accuracy of affected DI payments. We are also pleased that SSA invited us to participate in the WC work group charged with improving payment accuracy in the DI workload involving WC.

Overall, we believe the cleanup and prevention efforts SSA has taken and proposed should go far in helping to correct the WC offset deficiencies identified in this and earlier OIG audit reports. We also understand the apprehension expressed by SSA concerning the difficulty in negotiating some matching agreements and the cost associated with performing matches and implementing the supplemental controls needed to ensure payment accuracy in States where matching is not an option. SSA's

commitment to data exchanges under State matching agreements and performing periodic mass mailings to update beneficiary WC information will be major steps toward identifying and eliminating unreported WC as a major cause of DI overpayments and underpayments.

# **APPENDICES**

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**APPENDIX A**

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# ATTRIBUTES APPRAISAL

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## UNREPORTED WORKERS' COMPENSATION

**A-04-98-64002**

### **Total Cases of Changes in Workers' Compensation Benefits Unreported by Title II Beneficiaries**

Total Population	183,881
Total Sample Size	100 <sup>1</sup>
Number of Cases with the Social Security Administration (SSA) Benefit Computation Errors	31 <sup>2</sup>
Projection of Cases in Total Population with SSA Benefit Computation Error	57,003
CONFIDENCE LEVEL	We are 90-percent confident that the actual number of cases in the total population where beneficiaries did not report workers' compensation changes is between 43,033 and 72,569..

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<sup>1</sup> We selected a simple random sample of 100 cases. We have based our projections on the errors identified from our review of 50 cases. When we project the results, we are using the entire sample of 100 cases. This assumes that the remaining cases, which we did not review, contain no errors. However, if we reviewed the remaining 50 cases, we would expect the errors and the projections of those errors to increase proportionately.

<sup>2</sup> The nonreporting of workers' compensation had an effect on payments in 23 of the 31 cases. See Appendix B for the total amount of payment error for the 23 cases.

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## APPENDIX B

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# VARIABLES APPRAISAL

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### UNREPORTED WORKERS' COMPENSATION

A-04-98-64002

#### Total Dollar Error in the Master Beneficiary Records

Total Dollar Error in Sample of 100 Cases                    \$ 177,153.45

Total Sample Size    100

Average Total Dollar in Error                                \$ 1,771.5345

Total Population    183,881

Value of Projected Computation Errors to  
the Total Population of Title II Benefits Paid            \$ 325,751,535

#### CONFIDENCE LEVEL

We are 90-percent confident that the actual value  
of all dollars in error in the total population of title II  
benefits paid is between \$163,190,256 and  
\$488,312,814.

# **NONSTATISTICAL APPRAISAL**

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## **UNREPORTED WORKERS' COMPENSATION**

**A-04-98-64002**

### **Nonstatistical Estimate of Dollars Overpaid**

Total Dollars Overpaid in the Sample	\$ 116,599.85
Number of Cases in Sample	100
Average Dollars Overpaid for Each Case in Sample	\$ 1,165.9985
Number of Cases in Total Population	183,881
Total Dollars Overpaid (\$1,165.9985 x 183,881)	<b>\$ 214,404,970<sup>1</sup></b>

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### **Nonstatistical Estimate of Dollars Underpaid**

Total Dollars Underpaid in the Sample	\$ 60,553.60
Number of Cases in Sample	100
Average Dollars Underpaid for Each Case in Sample	\$ 605.5360
Number of Cases in Total Population	183,881
Total Dollars Underpaid (\$605.536 x 183,881)	<b>\$ 111,346,565</b>

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<sup>1</sup> The net effect of the overpaid and underpaid Disability Insurance benefits on the Social Security trust fund would be an estimated loss of \$103 million.

## **UNREPORTED WORKERS' COMPENSATION**

**A-04-98-64002**

### **Nonstatistical Estimate of Title II Benefits Paid**

Total Benefits Paid to Primary Number Holder and Auxiliaries in 50 Sample Cases	\$	2,064,387
Number of Cases in Sample		50
Average Benefits Paid Per Sample Item	\$	41,287.74
Number of Cases in Total Population		183,881
Total Title II Benefits for Total Population (\$40,778.006 x 183,881)	\$	<b>7,592,030,919<sup>2</sup></b>

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<sup>2</sup> This is a nonstatistical estimate. Due to time considerations, we did not determine the benefits paid on the 50 sample cases not reviewed.

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**APPENDIX D**

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## **SSA COMMENTS**

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COMMENTS ON OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT,  
"WORKERS' COMPENSATION UNREPORTED BY SOCIAL SECURITY  
BENEFICIARIES" (A-04-98-64002)

We appreciate OIG's efforts to review whether Social Security Disability Insurance (DI) beneficiaries are reporting the receipt of State workers' compensation (WC) benefits or changes in those benefits to the Social Security Administration (SSA). We believe that the report findings have merit and generally agree with the recommendations.

SSA acknowledges that there are problems with the WC workload and is working to make improvements. We recently established a WC work group with the goal of significantly improving the accuracy of WC payments. We are pleased that OIG is collaborating with SSA in this effort and we expect to develop an action plan for significant improvement. The work group is currently pursuing a number of cleanup and prevention efforts as follows:

- o reviewing more than 61,000 WC cases to ensure the payment is correct;
- o issuing reminder items to program service center staff regarding policy and procedures related to WC actions;
- o testing a mailer to beneficiaries that would be sent annually to update WC information;
- o developing recommendations for improving WC systems and controls.

We believe that these activities will help to correct the WC offset deficiencies identified in this and earlier OIG reports.

Recommendation

In those States where SSA has on-line access to WC data, perform a periodic match of disability insurance (DI) beneficiary WC benefit rates used for offset against the WC rates paid and adjust for any discrepancies.

Comment

We agree. We plan to pursue periodic matches in States where we have on-line access. On an ongoing basis, we have

periodic WC matches with Federal agencies and we are pursuing matches with the larger insurance companies to see if the available information would help SSA to more accurately process WC cases.

It is important to note, however, that establishing State matches can be time-consuming with extensive negotiation and systems compatibility development needed. Return on investment also needs to be addressed. As noted in the report, these types of matches would have to be done on a state-by-state basis, which adds to the cost and complexity of the match while limiting its benefits. The report contains no data indicating either costs or savings on a state-by-state basis, nor is there any data on the administrative cost of implementing the recommendation. Given the difficulties involved, we are unable to predict how successful or timely our efforts will be in obtaining WC data from the States via matches. Moreover, matches will not provide all of the needed data since in most States all WC injuries and payments are not required to be reported; e.g., self-insurers.

#### Recommendation

For those States where on-line matching of WC data is not a current option, negotiate agreements with State officials to periodically obtain computer extracts of State WC information and benefit payments. Match the State WC rates against the rates used for offset, as recorded on the Master Beneficiary Record (MBR), to identify potential nonreporters and cases not properly offset. Emphasis should be initially placed on those States with the highest WC activity.

#### Comment

We agree. SSA is pursuing matching agreements in the ten largest WC States. We are also negotiating with the other States to obtain State WC data. However, negotiating agreements with States to obtain computer extracts of WC data involves the same kind of difficulties described above. Consequently, we are unable to determine how successful these efforts will be.

### Recommendation

In those States where WC data cannot be obtained for computer matching, institute alternative measures to proactively identify WC benefits and benefit changes that are unreported by DI recipients:

- A. Through a mass mailing, reaffirm with DI beneficiaries their WC reporting responsibilities and request current information on past WC lump sum benefit payments and/or changes in periodic payments; and
- B. during continuing disability reviews (CDR), inquire about post-application WC changes that could require the offset of DI benefits. If WC changes are indicated or discrepant answers are provided, diary for follow up and resolution.

### Comment

While we believe the best approach to obtaining WC data is through State matching (despite the difficulties involved), we believe that other methods such as a mass mailing could be helpful in the interim. As stated above, SSA's WC work group is currently exploring this option. It should be noted, however, that costs associated with a WC mailer could be substantial, both from a startup and maintenance perspective. Moreover, inaccurate information received on the mailer could trigger inappropriate overpayments and underpayments. The Agency will need to consider all of these issues as we proceed.

With respect to inquiring about WC during CDRs, we believe this would be an unproductive approach since the number of beneficiaries receiving WC is relatively small and, if we proceed with the mass mailer, we would be capturing the information that way.

### Recommendation

Take the required action in the cases sampled to resolve the \$116,600 in overpayments and \$60,554 in underpayments that resulted when beneficiaries failed to report subsequent changes in State WC benefits. Also, collect the overpayments of \$29,797 that resulted from the Tennessee and Kentucky cases because SSA either did not adjust for the WC benefits reported, or the beneficiary failed to report State WC benefits.

Comment

We agree. We are currently taking action to resolve the overpayments and underpayments identified during the review.

With respect to incorrect payments, we note that the report concludes that the failure of beneficiaries to voluntarily report changes in WC status and benefits and SSA's inability to independently identify those changes are major causes of inaccurate DI payments. Although beneficiaries' failure to report may be a cause of inaccurate payments, because of the complexity involved, WC cases are error prone. Consequently, some payment errors may be a result of SSA's handling rather than beneficiary reporting. As described above, SSA has established a WC work group that is reviewing prior WC cases and developing recommendations for improving WC systems and controls.

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## **APPENDIX E**

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# **MAJOR CONTRIBUTORS TO THIS REPORT**

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**APPENDIX F**

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**SSA ORGANIZATIONAL CHART**

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