

Audit Report

Appropriateness of Actions Taken on
Pending Workers' Compensation
Cases



MEMORANDUM

Date: October 7, 2019 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Appropriateness of Actions Taken on Pending Workers' Compensation Cases (A-05-18-50627)

The attached final report presents the results of the Office of Audit's review. The objective was to determine the appropriateness of program service center actions taken on workers' compensation cases that were pending at the end of Fiscal Year 2017.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.

A handwritten signature in black ink that reads "Gail S. Ennis".

Gail S. Ennis

Attachment

Appropriateness of Actions Taken on Pending Workers' Compensation Cases

A-05-18-50627



October 2019

Office of Audit Report Summary

Objective

To determine the appropriateness of program service center (PSC) actions taken on workers' compensation (WC) cases that were pending at the end of Fiscal Year (FY) 2017.

Background

WC is a payment made under a Federal, State, or local law to a worker because of a work-related injury, illness, or disease. The *Social Security Act* requires that the Social Security Administration (SSA) reduce Disability Insurance (DI) benefits for most individuals who receive WC payments. When an individual receives DI benefits, SSA determines whether it should reduce those benefits because of WC. If the beneficiary's WC claim is pending when SSA approves DI benefits, the beneficiary must report to SSA the subsequent receipt of WC payments. SSA policies and procedures require that PSCs follow up on WC issues until they are resolved. SSA's system generates a one-time alert to remind staff to follow up on pending WC cases. PSC employees establish subsequent followups manually.

At the end of FY 2017, PSCs had 74,480 WC cases pending for 65,214 disability beneficiaries. We selected a sample of 200 cases to determine whether PSCs appropriately reduced DI benefits, when necessary, based on beneficiaries' WC payments.

Findings

Of the 200 sample cases we reviewed, PSCs did not take appropriate action to process 35, which resulted in improper payments. This included approximately \$242,000 in overpayments and \$285,000 in underpayments.

While reviewing the 35 WC cases, we found PSCs did not follow SSA's policy and procedures, including not properly evaluating WC documentation or taking required actions to reduce DI benefits following the WC determination. Additionally, PSCs did not provide consistent training for processing WC workloads.

Based on our sample results, we estimate that—of the 74,480 WC cases that were pending at the end of FY 2017—PSCs did not appropriately process 12,662 (17 percent), which resulted in approximately \$151 million in improper payments.

Agency Actions Resulting from the Audit

In January 2019, we provided SSA the 35 WC cases we identified on which PSCs had not taken appropriate action. As of April 2019, SSA had taken action on seven cases, including six cases we referred that had not been processed at all and one SSA corrected when it addressed an unrelated event. Therefore, we did not recommend further actions for these cases.

In addition, during our audit, SSA prepared a national refresher training guide. In its comments to this audit report, SSA stated that all PSC employees who work on WC offset cases completed this refresher training by September 30, 2019. Therefore, we did not make a recommendation concerning the inconsistency in training among PSCs for WC workloads.

Recommendation

We recommended SSA correct the remaining 28 WC cases we identified with improper payments.

SSA agreed with our recommendation.

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ABBREVIATIONS

DI	Disability Insurance
FY	Fiscal Year
OIG	Office of the Inspector General
PSC	Program Service Center
SSA	Social Security Administration
WC	Workers' Compensation

OBJECTIVE

Our objective was to determine the appropriateness of program service center (PSC) actions taken on workers' compensation (WC) cases that were pending at the end of Fiscal Year (FY) 2017.

BACKGROUND

WC is the nation's oldest social insurance program.¹ WC is a payment made under a Federal, State, or local law to an individual because of a work-related injury, illness, or disease.² The *Social Security Act* requires that the Social Security Administration (SSA) reduce Disability Insurance (DI) benefits for most individuals who receive Federal, State, or locally administered WC payments.³ When an individual receives DI benefits, SSA determines whether it should reduce those benefits because of WC. If the beneficiary's WC claim is pending when SSA approves DI benefits, the beneficiary must report to SSA the subsequent receipt of WC payments.⁴ SSA policies and procedures require that PSCs⁵ follow up on WC issues until they are resolved. SSA's system generates a one-time alert to remind staff to follow up on pending WC cases. PSC employees establish subsequent followups manually.⁶

According to SSA training materials, WC cases "are some of the most complex and difficult cases" to process. Further, according to SSA policy, "There is virtually no Federal role in the state WC programs. As a result, the State WC programs provide widely different coverage, disparate benefits with different rules, and administrative practices that can be vastly dissimilar."⁷ To address the complexity of the WC workload, SSA's Office of Operations implemented weekly quality reviews of WC cases by technical experts. The reviews include randomly selected cases from error-prone, targeted workloads and cases selected from all other WC workloads.⁸ Based on these quality reviews, SSA produces payment and documentation

¹ SSA, *POMS*, DI 52120.001 (September 24, 2009).

² SSA, *POMS*, DI 52101.001, B.2 (September 18, 2018). WC cases include public disability benefits, which are payments required by a law or plan of a Federal, State, or local government entity.

³ *Social Security Act*, 42 U.S.C. § 424a (govinfo.gov 2018). SSA, *POMS*, DI 52150.001 (September 25, 2008). DI benefits are not reduced if the beneficiary receives WC from a State that provides for a reduction of the WC benefit to an individual also receiving DI benefits. SSA, *POMS*, DI 52105.001 (April 6, 2017).

⁴ In some instances, an individual may not have a WC claim pending when SSA approves DI benefits. When those individuals report receipt of the WC payments, SSA will determine whether it should reduce DI benefits.

⁵ PSCs are responsible for paying Old-Age, Survivors and Disability Insurance benefits, administering the Medicare program, and handling other functions essential to maintaining beneficiary records. SSA maintains eight processing centers nationwide: six process similar workloads, and the remaining two handle specialized workloads. PSCs' tasks include awarding and adjusting benefits, issuing payments, updating records, and resolving complex issues.

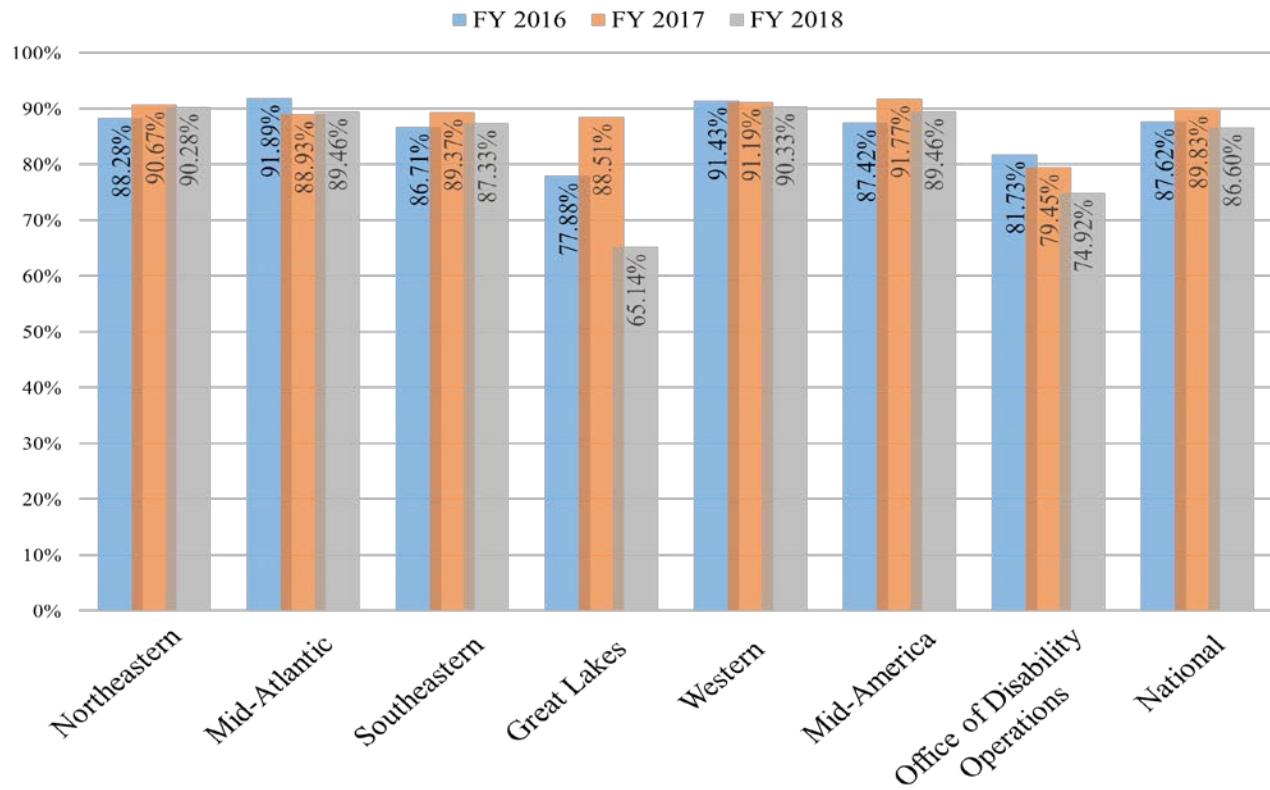
⁶ SSA, *POMS*, DI 52140.010 B.1 (September 13, 2017) and DI 52155.005 (November 6, 2009).

⁷ SSA, *POMS*, DI 52120.001 (September 24, 2009).

⁸ For example, one workload targeted for quality review involves beneficiaries receiving reduced DI benefits who were selected for a possible benefit increase every 3 years because of inflation.

accuracy reports that SSA management can use to focus training efforts. According to these reports, the WC payment and documentation accuracy fluctuated at most PSCs during FYs 2016 through 2018, and it was the lowest in FY 2018 (see Figure 1).

Figure 1: FY 2016 Through 2018 WC Payment and Documentation Accuracy at PSCs⁹



⁹ Data are from SSA, the *WC Quality Today* Website, which captures the results of weekly technical expert reviews of randomly selected WC cases. The Northeastern PSC is in Jamaica, New York; the Mid-Atlantic PSC is in Philadelphia, Pennsylvania; the Southeastern PSC is in Birmingham, Alabama; the Great Lakes PSC is in Chicago, Illinois; the Western PSC is in Richmond, California; the Mid-America PSC is in Kansas City, Missouri; and the Office of Disability Operations is in Baltimore, Maryland. We excluded the Office of International Operations because it took actions on less than 1 percent of the total WC workload.

At the end of FY 2017, PSCs had 74,480 WC cases pending for 65,214 disability beneficiaries.¹⁰ We selected a random sample of 200 cases to determine whether PSCs appropriately reduced DI benefits, when necessary, based on beneficiaries' WC payments. Since we reviewed a random sample of all pending WC cases at the end of FY 2017 and SSA selects cases for review that include targeted workloads, we expected some variance between the results of our review and SSA's reported WC payment and documentation accuracy. See Appendix A for our scope and methodology.

RESULTS OF REVIEW

Of the 200 sample cases we reviewed, PSCs did not take appropriate action to process 35, which resulted in improper payments. While reviewing the 35 pending WC cases, we found PSCs did not follow SSA's policy and procedures,¹¹ including not properly evaluating WC documentation or taking required actions to reduce DI benefits following the WC determination. Examples follow.

- A beneficiary who resided in Wisconsin received a Federal WC payment under the *Federal Employees' Compensation Act*.¹² However, PSC staff used policies related to WC from Wisconsin, rather than policies related to Federal WC, as a deciding factor when it calculated DI benefits payable. Accordingly, the PSC's action resulted in an overpayment of approximately \$3,400.
- A beneficiary received State-issued WC payments for a work-related injury. Initially, the beneficiary received WC payments calculated based on wage replacement. Later, the beneficiary settled the WC claim for a lump-sum settlement, which included amounts for attorney fees and future medical expenses. However, the PSC used average weekly wages rather than the wage replacement amount to calculate the WC payments to deduct from DI benefits. In addition, the PSC did not include future medical expenses when it considered the effects the lump-sum settlement would have on DI benefits. Consequently, the PSC's action resulted in an underpayment of approximately \$4,700 to the beneficiary and her child.

¹⁰ We limited our audit to cases pending at the end of FY 2017 to provide sufficient time for PSCs to work the cases before our review. A beneficiary can have multiple WC cases pending in SSA's systems because SSA establishes a record in its systems to track each action needed to resolve a WC claim or claims. In addition, if SSA does not take a necessary action, the system will create another record or records until the action is resolved. Of the 65,214 disabled beneficiaries with pending WC cases at the end of FY 2017, 57,191 (88 percent) had only 1 case pending (see Appendix B, Table B-2).

¹¹ SSA, *POMS*, DI 52145.001 (December 20, 2017) and DI 52150.001 (September 25, 2008) through 52150.090 (December 4, 2013).

¹² 5 U.S.C. § 8101 *et seq* (govinfo.gov 2017). Implementing regulations are located at 20 C.F.R. §§ 10.00-10.826. This Act provides compensation benefits to Federal employees for work-related injuries or illnesses, and to their surviving dependents if a work-related injury or illness results in the employee's death. The Department of Labor, Office of Workers' Compensation Programs, administers the program.

The 35 cases had approximately \$242,000 in overpayments and \$285,000 in underpayments.¹³ Based on our sample results, we project PSCs did not appropriately process 12,662 WC cases, which resulted in approximately \$151 million in improper payments.¹⁴ During our audit, SSA corrected one of the sampled cases when it addressed an event unrelated to WC. In addition, SSA took action on six cases we referred that had not been processed at the time of our review.¹⁵ Therefore, we recommend SSA correct the remaining 28 WC cases we identified with improper payments.

According to SSA, PSCs conducted WC training between FYs 2016 and 2018. However, training efforts were not consistent in the PSCs. Specifically,

- two PSCs conducted a series of workshops in FY 2017 to provide comprehensive WC training and workload experience, one of which also created a checklist to assist staff;
- three PSCs covered WC during formal training classes; and
- two PSCs held meetings that provided training and reminders to staff on a variety of topics, including WC cases.

CONCLUSIONS

Of the 74,480 WC cases that were pending at the end of FY 2017, we estimate PSCs did not appropriately process 12,662 (17 percent), which resulted in approximately \$151 million in improper payments. Additionally, PSCs did not provide consistent training for processing WC workloads.

¹³ Of the 35 cases with improper payments, 11 involved both over- and underpayments. For these 11 individuals, SSA did not reduce DI benefits as much as it should have in some months and reduced benefits too much in other months. We identified improper payments SSA had not identified at the time of our review. We used WC evidence present in SSA's files or from external public sites commonly used by PSCs, such as the Department of Labor's *Federal Employees' Compensation Act* payments interface or other WC domains, to determine the appropriateness of PSC actions taken on WC cases. The information was also available to PSC employees at the time of our review.

¹⁴ Our sample results included one case that we considered to be an outlier. This case had an overpayment of almost \$19,000 and an underpayment of approximately \$103,000. We did not include the outlier in our projected improper payments. See Appendix B for our sample methodology and results.

¹⁵ PSCs had information readily available to process these six cases. The information included WC documentation submitted by beneficiaries or data available in online Federal and State WC databases. These six cases had been pending 595 days as of December 2018 while the remaining 29 cases with improper payments had been pending an average of 308 days when they were processed.

AGENCY ACTIONS RESULTING FROM THE AUDIT

In January 2019, we provided SSA the 35 WC cases we identified on which PSCs had not taken appropriate action. As of April 2019, SSA had taken action on seven cases, including six cases we referred that had not been processed at all and one SSA corrected when it addressed an unrelated event. Therefore, we did not recommend further actions for these cases.

In addition, during our audit, SSA prepared a national refresher training guide. In its comments to this audit report, SSA stated that all PSC employees who work on WC offset cases completed this refresher training by September 30, 2019. Therefore, we did not make a recommendation concerning the inconsistency in training among PSCs for WC workloads.

RECOMMENDATION

We recommend SSA correct the remaining 28 WC cases we identified with improper payments.

AGENCY COMMENTS

SSA agreed with our recommendation. The Agency's comments are included in Appendix C.



Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

To accomplish our objective, we:

- Reviewed relevant sections of the *Social Security Act*, Code of Federal Regulations, and Social Security Administration's (SSA) policies and procedures.
- Obtained a population of 74,480 pending workers' compensation (WC) cases at the end of Fiscal Year (FY) 2017. These cases related to 65,214 beneficiaries.¹
- Selected a random sample of 200 pending WC cases to determine the appropriateness of program service center actions. Specifically, we
 - analyzed WC evidence available through SSA systems (including those that interface with external sources),
 - determined the amount of improperly paid funds by calculating appropriate offsets, and
 - recalculated the Primary Insurance Amount as needed for the WC computation.
- Calculated the age of FY 2017 pending WC cases on which SSA had not taken appropriate action to process.

We conducted our review from November 2018 through April 2019 in Chicago, Illinois. We determined the data used for this audit were sufficiently reliable to meet our audit objectives. The entity audited was the Office of Operations. We conducted this performance audit 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 findings and conclusions based on our audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

¹ A beneficiary can have multiple WC cases pending in SSA's systems because SSA establishes a record in its systems to track each action needed to resolve a WC claim or claims. In addition, if SSA does not take a necessary action, the system will create another record or records until the action is resolved.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

Sampling Methodology

We reviewed a random sample of 200 from the 74,480 workers' compensation (WC) cases pending at the Social Security Administration's (SSA) program service centers (PSC) as of September 29, 2017 (see Table B–1).

Table B–1: Population and Sample Size

Description	Amount
Sample Size	200
Total Population	74,480

The 74,480 cases related to 65,214 beneficiaries. A beneficiary can have multiple WC cases pending in SSA's systems because SSA establishes a record to track each action needed to resolve a WC claim or claims. In addition, if SSA does not take a necessary action, the system will create another record or records until the action is resolved. Of the 65,214 disabled beneficiaries, 57,191 (88 percent) had only 1 case pending (see Table B–2). Eight beneficiaries had 13 or more cases pending. We conducted a limited review of these eight beneficiaries' cases, and found the multiple cases were created as a result of monthly notifications indicating inconsistencies between Department of Labor information and SSA's records. These eight beneficiaries' cases had been pending for 13 to 17 months as of December 2017. We did not find any indications of fraud or that the beneficiaries had been improperly paid.

Table B–2: Cases per Beneficiary in the Population of Pending WC Cases

Number of Beneficiaries	Number of Cases Pending per Beneficiary
57,191	1
7,164	2
715	3
78	4
24	5
12	6
5	7
4	8
5	9
2	10
1	11
5	12
4	13
3	14
1	15

The 200 cases in our random sample consisted of unique beneficiaries. However, some of the beneficiaries had multiple WC cases pending in the population. For example, 40 cases in our sample were related to beneficiaries who had 1 other case in the population, for a total of 2 pending WC cases in the population (see Table B-3).

Table B-3: Sampled WC Cases per Beneficiary

Number of Sampled Cases	Number of Pending Cases in the Population per Beneficiary
156	1
40	2
4	3

Sample Results and Projections

For the sample of 200 pending WC cases, PSCs had not taken appropriate action to process 35 resulting in improper payments. This included approximately \$242,000 in overpayments and \$285,000 in underpayments.¹ Of the 35 cases, 8 related to beneficiaries with 2 WC cases pending in the population (see Table B-4).

Table B-4: Improper Payment Totals

Number of Pending Cases in the Population per Beneficiary	Number of Sampled Cases with Improper Payments	Overpayments	Underpayments	Total Improper Payments
1	27	\$211,258	\$277,932	\$489,190
2	8	\$30,808	\$6,795	\$37,603
Total	35	\$242,066	\$284,727	\$526,793

Based on these results, we project that PSCs did not appropriately process 12,662 WC cases, which resulted in approximately \$151 million in improper payments (see Table B-5).

¹ Of the 35 cases with improper payments, 13 involved overpayments, 11 involved underpayments, and 11 involved both.

Table B–5: Errors Identified for WC Cases Reviewed

Description	Payment Errors	Underpayment Amount	Overpayment Amount
Sample Results ²	34	\$181,841	\$223,382
Population Projection	12,662	\$67,717,588	\$83,187,457
Projection – Lower Limit	9,516	\$29,461,346	\$34,615,205
Projection – Upper Limit	16,366	\$105,973,831	\$131,759,708

Note: All projections are at the 90-percent confidence level.

² We excluded one outlier case from our projections. This case had an overpayment of almost \$19,000 and an underpayment of approximately \$103,000.

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: October 1, 2019 Refer To: S1J-3

To: Gail S. Ennis
Inspector General

A handwritten signature in blue ink that reads "Stephanie Hall".

From: Stephanie Hall
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Appropriateness of Actions Taken on Pending Workers' Compensation Cases" (A-05-18-50627) -- INFORMATION

Thank you for the opportunity to review the draft report. We agree with the recommendation and will take action to resolve the remaining workers' compensation (WC) cases identified in the audit. Additionally, we recently released a nationwide refresher training that emphasizes the importance of properly developing WC proofs and accurately computing any resulting benefit offset. We confirmed that, as of September 30, 2019, all program service center employees who work on WC offset cases have completed this refresher training.

Please let me know if we can be of further assistance. You may direct staff inquiries to Trae Sommer at (410) 965-9102.

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