

Audit Report

Bonus Payments Made to California
Disability Determination Services'
Employees

A-09-12-21248 / September 2013

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: September 11, 2013 **Refer To:**

To: Grace Kim
Regional Commissioner
San Francisco

From: Inspector General

Subject: Bonus Payments Made to California Disability Determination Services' Employees
(A-09-12-21248)

The attached final report presents the results of our audit. Our objective was to determine whether the California Disability Determination Services had adequate controls to ensure bonus payments made to California Disability Determination Services' employees were proper.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.



Patrick P. O'Carroll, Jr.

Attachment

cc:

Will Lightbourne, Director, California Department of Social Services
Eva L. Lopez, Deputy Director, Disability Determination Services Division
Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff

Bonus Payments Made to California Disability Determination Services' Employees

A-09-12-21248



September 2013

Office of Audit Report Summary

Objective

To determine whether the California Disability Determination Services (CA-DDS) had adequate controls to ensure bonus payments made to CA-DDS employees were proper.

Background

Disability Determination Services in each State perform disability determinations under the Social Security Administration's (SSA) disability programs in accordance with Federal law and regulations. SSA reimburses State agencies for allowable expenditures to assist in making proper disability determinations. Medical consultants (MC) employed by CA-DDS are paid a salary for their review of the medical aspects of disability claims. CA-DDS also provides MCs an additional \$27 for each disability case reviewed that exceeds an established weekly threshold.

In a 2007 audit, we found that CA-DDS improperly paid MCs approximately \$47,000 in bonus payments. For our current audit, we identified 104 MCs whom CA-DDS paid approximately \$5 million in bonuses during Fiscal Years 2009 through 2011.

Our Findings

CA-DDS needs to improve controls to prevent and detect improper bonus payments made to MCs. Specifically, we found that CA-DDS

- improperly paid 20 MCs \$15,687 in bonuses;
- did not always comply with its bonus approval requirements or retain supporting documentation of bonus payments;
- improperly paid an estimated \$277,135 in bonuses for duplicate cases claimed; and
- needed to improve its oversight of MC performance.

Our Recommendations

We recommend that SSA:

1. Instruct CA-DDS to take appropriate corrective action for the \$15,687 in improper payments made to 20 MCs.
2. Instruct CA-DDS to improve controls to prevent and detect improper payments made to MCs.
3. Instruct CA-DDS to refund \$277,135 in improper bonus payments and benefits for duplicate cases claimed by MCs or provide documentation that the payments were proper.
4. Work with CA-DDS to determine whether there is a cost-effective method to identify and refund any improper bonus payments and benefits for duplicate cases claimed in Fiscal Years 2006 through 2008.
5. Work with CA-DDS to develop a cost-effective quality assurance program that ensures MCs who participate in the bonus program maintain program requirements regarding case accuracy.

SSA and CA-DDS generally agreed with our recommendations.

TABLE OF CONTENTS

Objective	1
Background	1
Results of Review	2
CA-DDS Policies and Procedures for Claiming and Approving Bonus Pay.....	3
Improper Bonus Payments.....	3
Control Weaknesses in the Review and Approval of Bonus Payments.....	4
Improper Payments for Duplicate Cases.....	5
Oversight of MC Performance.....	6
Conclusions.....	6
Recommendations.....	7
Agency Comments.....	7
Other Matter.....	8
90-Case Weekly Threshold.....	8
Appendix A – Scope and Methodology	A-1
Appendix B – Sampling Methodology and Results	B-1
Appendix C – <i>Medical Consultant - Case Closure Bonus Certification form</i>	C-1
Appendix D – Agency Comments.....	D-1
Appendix E – California Department of Social Services’ Response	E-1
Appendix F – Major Contributors.....	F-1

ABBREVIATIONS

CA-DDS	California Disability Determination Services
C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
DEA	Disability Evaluation Analyst
DI	Disability Insurance
FY	Fiscal Year
MC	Medical Consultant
MIDAS	Modernized Integrated Disability Adjudicative System
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

OBJECTIVE

To determine whether the California Disability Determination Services (CA-DDS) had adequate controls to ensure bonus payments made to CA-DDS employees were proper.

BACKGROUND

Disability Determination Services (DDS) in each State or other responsible jurisdiction perform disability determinations under the Social Security Administration's (SSA) Disability Insurance (DI) and Supplemental Security Income (SSI) programs. DDSs must perform these determinations in accordance with Federal law and underlying regulations. Each DDS is responsible for determining claimants' disabilities and ensuring adequate evidence is available to support its determinations.¹ SSA is responsible for implementing policies for the development of disability claims under the DI and SSI programs.² SSA reimburses State agencies for allowable expenditures to assist in making proper disability determinations.³

CA-DDS pays its medical consultants (MC) an annual salary of between \$105,000 and \$155,000 to review the medical aspects of disability claims. CA-DDS also provides MCs an additional \$27 for each disability case they review that exceeds an established minimum weekly threshold (90 cases for a full-time MC). To receive a bonus payment, MCs must complete and certify a *Medical Consultant-Case Closure Bonus Certification* form (see Appendix C). MCs then submit a certification form to a supervisor for review and approval. In November 2011, CA-DDS suspended the bonus program.

In a 2007 audit,⁴ we found that because of control weaknesses, CA-DDS improperly paid MCs \$46,656 in bonuses. Specifically, CA-DDS' review and approval process did not always detect (1) duplicate cases claimed; (2) instances where MCs claimed extra cases without meeting their minimum weekly thresholds; and (3) instances where the number of extra cases claimed on certification forms exceeded the number supported by logs. In our 2007 audit, we recommended that CA-DDS improve its controls to prevent and detect improper bonus payments made to MCs. In response to our recommendation, CA-DDS stated it would improve its controls by implementing an electronic method to track the number of cases completed by MCs.

For our current audit, we identified 104 MCs whom CA-DDS paid approximately \$5 million in bonuses during Fiscal Years (FY) 2009 through 2011 (October 2008 through September 2011).

¹ Social Security Act §§ 221, 1601 *et seq.*; 42 U.S.C. §§ 421, 1381 *et seq.*; 20 C.F.R. §§ 404.1601 *et seq.* and 416.1001 *et seq.*; and SSA, POMS, DI 00115.001.D. (October 11, 2012).

² SSA, POMS, DI 00115.001 (October 11, 2012).

³ Social Security Act §§ 221 and 42 U.S.C. §§ 421(3)(e); and C.F.R. §416.1003.

⁴ SSA, OIG, *Administrative Costs Claimed by the California Disability Determination Services* (A-09-06-16129), July 2007.

Table 1 summarizes the bonus payments for the 3-year period.

Table 1: Summary of Bonus Payments

Amount Paid to Individual MCs	Number of MCs	Number of Bonus Payments	Total Amount Paid	Percent of Total
Between \$346,000 and \$857,000	5	177	\$3,472,254	69
Between \$26,000 and \$173,000 ⁵	21	526	\$1,360,296	27
Less than \$26,000	78	243	\$201,798	4
Total	104	946	\$5,034,348⁶	100

From the above population, we reviewed the highest

- 10 bonus payments made to each of the 5 MCs (50 payments) who received between \$346,000 and \$857,000 and
- 2 bonus payments made to each of the 21 MCs (42 payments) who received between \$26,000 and \$173,000.

Finally, we identified a population of 23,596 potentially duplicate cases claimed by MCs. From this population, we selected a random sample of 200 for review. See Appendix A for details of our scope and methodology.

RESULTS OF REVIEW

CA-DDS needs to improve controls to prevent and detect improper bonus payments made to MCs. Specifically, we found the following.

- Our review of the 92 bonus payments found that CA-DDS improperly paid 20 (77 percent) of the 26 MCs' bonuses, totaling \$15,687.
- The review and approval of 92 bonus payments contained 54 control weaknesses.
- Based on our review of the random sample of 200 potential duplicate cases claimed, we estimate that CA-DDS improperly paid \$277,135 in bonuses. We are 90-percent confident the improper bonus payments ranged from \$234,072 to \$320,198.
- We found that CA-DDS needed to improve its oversight of MC performance.

See Appendix B for our sampling methodology, results, and projections.

⁵ There were no MCs whom CA-DDS paid a bonus between \$173,000 and \$346,000.

⁶ This does not include about \$1 million in benefits associated with the bonus payments (for example, retirement contributions) that SSA reimburses CA-DDS.

CA-DDS Policies and Procedures for Claiming and Approving Bonus Pay

CA-DDS supervisors must obtain a weekly report from the Modernized Integrated Disability Adjudicative System (MIDAS) of cases completed by MCs who have participated in the bonus program during the week. The MIDAS report includes case completion dates, the MC's user identification code, a 6 or 7 digit case number, and the total number of cases the MC completed for the week. The supervisor must then review the weekly MIDAS report to (1) determine the number of cases completed and (2) identify and remove any cases that were signed off more than once. The supervisor must also review time and attendance records to determine the correct weekly threshold amounts.⁷

At the end of each month, the MC and supervisor must sign and certify a *Medical Consultant-Case Closure Bonus Certification* form to receive a bonus payment (see Appendix C). This form contains the

- number of cases the MC completed each week during the month,
- weekly case threshold amount to be eligible for a bonus,
- number of cases that exceeded the weekly threshold,
- number of cases eligible for bonus pay, and
- total bonus amount payable for the month.

Finally, CA-DDS supervisors must submit the completed certification form to payroll so the MC can be paid.

Improper Bonus Payments

Our review of the 92 bonus payments found that CA-DDS improperly paid 20 MCs 41 improper bonuses totaling \$15,687 (see Appendix B). The improper payments occurred because of control weaknesses in CA-DDS' review and approval of bonuses. Specifically, we found the following.

Completed Cases on Certification Forms Exceeded Completed Cases in MIDAS – For 20 payments, we found that the number of cases on the *Medical Consultant-Case Closure Bonus Certification* form was higher than the number of cases on the weekly MIDAS reports. For example, in June 2011, CA-DDS paid an MC a \$3,591 bonus based on a *Medical Consultant-Case Closure Bonus Certification* form that showed the MC completed 133 bonus cases. However, the MIDAS weekly reports showed that the MC only completed 113 bonus cases. As a result, CA-DDS overpaid the MC \$540.

⁷ Holidays and furlough days reduce the weekly threshold amounts, whereas vacation days or other time off from work does not.

Completed Cases in MIDAS Exceeded Completed Cases on Certification Forms – For 10 payments, we found that there were more cases on the weekly MIDAS reports than the number of cases on the *Medical Consultant – Case Closure Bonus Certification* form. For example, in August 2010, CA-DDS paid an MC a \$39,501 bonus based on a *Medical Consultant–Case Closure Bonus Certification* form that showed the MC completed 1,463 bonus cases. However, the MIDAS weekly reports showed the MC actually completed 1,481 cases. As a result, CA-DDS underpaid the MC \$486.

Incorrect Weekly Threshold Amounts – For 11 payments, we found incorrect weekly threshold amounts on the *Medical Consultant–Case Closure Bonus Certification* form. This occurred because MCs and supervisors did not reduce the weekly threshold amounts for holidays and furlough days or incorrectly reduced the weekly threshold amounts for vacation days or other time off work. For example, in July 2011, CA-DDS paid an MC a \$29,754 bonus. However, the MC and supervisor incorrectly reduced the weekly threshold amounts for 3 personal leave days. As a result, CA-DDS overpaid the MC \$1,944.

According to CA-DDS, the number of cases claimed on the bonus certification form should equal the number of cases on the MIDAS weekly reports. The MC or supervisor should note and explain any differences on the certification form. Additionally, the supervisor must reduce the weekly threshold amounts to account for holidays and furlough days and should not reduce the weekly threshold for vacation days.

Control Weaknesses in the Review and Approval of Bonus Payments

In our 2007 audit,⁸ we found that CA-DDS made improper bonus payments to MCs because of control weaknesses. In response to our audit, CA-DDS revised MIDAS to produce automated weekly reports of the number of cases MCs completed. However, our current review of the 92 bonus payments identified 54 deficiencies with CA-DDS' review and approval of bonus payments. Our review of the 92 payments found the following.

- Twenty-two payments did not have the required weekly MIDAS report.
- Twelve payments did not have a *Medical Consultant-Case Closure Bonus Certification* form to document CA-DDS' review and approval of bonus payments. According to DDS management, the certification forms could not be located.
- Six payments did not have signatures on the *Medical Consultant–Case Closure Bonus Certification* forms. This included four certification forms that did not have the MC and supervisor signatures. For the remaining two Certification forms, an MC did not sign one and a supervisor did not sign one.

⁸ SSA, OIG, *Administrative Costs Claimed by the California Disability Determination Services* (A-09-06-16129), July 2007.

- Eleven payments contained incorrect threshold amounts on the *Medical Consultant–Case Closure Bonus Certification* forms. This included threshold amounts that the MC or supervisor did not reduce for holidays and furlough days or improperly reduced for vacation days and other days off from work.
- Three payments did not have the MCs' time and attendance records. Therefore, we could not determine whether CA-DDS used correct weekly threshold amounts.

Table 2 summarizes the results of our review.

Table 2: Summary of Control Deficiencies

Control Weakness	Number of Occurrences
Missing MIDAS Weekly Reports	22
Missing <i>Medical Consultant–Case Closure Bonus Certification</i> Forms	12
No Supervisor and/or MC Signature on Certification Forms	6
Incorrect Threshold Amounts	11
Missing Time and Attendance Records	3
Total	54

Improper Payments for Duplicate Cases

In our 2007 audit,⁹ we found that CA-DDS did not have adequate controls to identify duplicate cases claimed by MCs. Specifically, we found that supervisors did not identify and remove duplicate cases listed on a *Medical Consultant–Case Closure Bonus Certification* form. In response to our audit, CA-DDS revised MIDAS to produce automated weekly reports of the number of cases completed by MCs. However, the MIDAS report does not specifically identify duplicate cases completed. Therefore, a supervisor must manually review the MIDAS reports to identify any duplicate case numbers and exclude them from the *Medical Consultant–Case Closure Bonus Certification* form.

For our current audit, we identified 23,596 potential duplicate cases that MCs had signed off as completed. Our review of a random sample of 200 cases found that CA-DDS improperly paid \$2,349 for 78 (39 percent) duplicate cases. This consisted of 63 cases where the *Medical Consultant–Case Closure Bonus Certification* form improperly included the duplicate cases and 15 cases where CA-DDS did not retain the weekly MIDAS reports or the *Medical Consultant–Case Closure Bonus Certification* forms showing the supervisor identified and removed the duplicate cases. In addition, CA-DDS' Quality Assurance Unit or SSA's Disability Quality

⁹ SSA, OIG, *Administrative Costs Claimed by the California Disability Determination Services* (A-09-06-16129), July 2007.

Branch had returned 25 of the 78 cases for corrective action.¹⁰ The remaining 122 duplicate cases did not result in an improper payment. Projecting our sample results to the population of 23,596 duplicate cases, we estimate that CA-DDS improperly paid MCs \$277,135 for 9,202 duplicate cases claimed (see Appendix B).

The improper payments occurred because the weekly MIDAS reports did not specifically identify duplicate cases completed, and, during their review of the MIDAS reports, supervisors did not identify and remove the duplicate cases.

Oversight of MC Performance

SSA policy states that each State is responsible for providing an in-depth and substantive review of adjudicated claims for disability benefits.¹¹ According to SSA policy, a State's Quality Assurance system should enable a DDS to provide the best possible service to the public, detect and correct errors, and provide a means for measuring individual performance.¹² Additionally, SSA policy states that the DDS' Quality Assurance Unit should perform an ongoing review of a random sample of all completed cases and a separate sample of high-risk cases.¹³ Finally, CA-DDS requires that MCs who participate in the bonus program maintain program requirements regarding case accuracy.¹⁴

Our review found that CA-DDS should improve its quality assurance oversight of MCs. Specifically, CA-DDS did not perform an ongoing random sample review of all completed MC cases. According to CA-DDS, it only conducted targeted reviews of cases with certain characteristics (for example, psychological denial cases or other cases deemed error-prone). Finally, CA-DDS stated that its targeted reviews did not provide valid accuracy rates at the individual MC level. Therefore, we were unable to determine whether CA-DDS ensured MCs' performance maintained an appropriate level of case accuracy as required by the bonus program.

CONCLUSIONS

CA-DDS needs to improve controls to prevent and detect improper payments made to MCs. Our review identified several control weaknesses in CA-DDS' review and approval of bonus payments. These weaknesses resulted in \$15,687 in improper payments for the sample of MCs we reviewed. They also resulted in improper payments for duplicate cases claimed. In our 2007

¹⁰ SSA's Disability Quality Branch performs medical quality reviews of disability claims completed by the State Agency, DDS, and by field offices.

¹¹ SSA, POMS, DI 30001.001(October 23, 2009).

¹² SSA, POMS, DI 30001.005(October 23, 2009).

¹³ SSA, POMS, DI 30001.205(October 23, 2009).

¹⁴ The FY 2013 annual target rate for DDS case accuracy is 97 percent.

audit,¹⁵ we estimated that CA-DDS improperly paid \$35,640 for duplicate cases claimed in FYs 2004 and 2005. In our current audit, we estimated CA-DDS paid \$277,135 in improper bonuses payments for duplicate cases in FYs 2009 through 2011. We believe these weaknesses would have also resulted in improper payments for duplicate cases claimed in FYs 2006 through 2008. Finally, CA-DDS needs to improve its oversight of MC performance.

RECOMMENDATIONS

We recommend that SSA:

1. Instruct CA-DDS to take appropriate corrective action for the \$15,687 in improper payments made to 20 MCs.
2. Instruct CA-DDS to improve controls to prevent and detect improper payments made to MCs. The improved controls should ensure CA-DDS (a) identifies duplicate cases claimed, (b) correctly determines weekly threshold amounts, and (c) properly retains all documentation supporting bonus payments.
3. Instruct CA-DDS to refund \$277,135 in improper bonus payments and benefits for duplicate cases claimed by MCs or provide documentation that the payments were proper.
4. Work with CA-DDS to determine whether there is a cost-effective method to identify and refund any improper bonus payments and benefits for duplicate cases claimed in FYs 2006 through 2008.
5. Work with CA-DDS to develop a cost-effective quality assurance program that ensures MCs who participate in the bonus program maintain program requirements regarding case accuracy.

AGENCY COMMENTS

SSA and CA-DDS generally agreed with our recommendations. In its response, CA-DDS acknowledged that it had improperly paid bonus payments to some MCs and stated that it would work with SSA to determine the appropriate amounts to refund to SSA for Recommendations 1 and 3. See Appendix D and Appendix E for the text of SSA's and CA-DDS' comments. SSA also provided technical comments that have been addressed, where appropriate.

¹⁵ SSA, OIG, *Administrative Costs Claimed by the California Disability Determination Services* (A-09-06-16129), July 2007

OTHER MATTER

90-Case Weekly Threshold

The CA-DDS bonus program states that MCs will receive \$27 for each disability case reviewed that exceeds a weekly threshold of 90 cases for a full-time MC. In FYs 2009 through 2011, CA-DDS MCs reviewed approximately 1.3 million disability cases. Table 3 summarizes the number of cases MCs reviewed for the 3-year period.

Table 3: Summary of Cases Reviewed by MCs

Bonuses Paid to Individual MCs	Number of MCs	Number of Cases Completed	Weekly Average
Between \$346,000 and \$857,000	5	170,793	219
Between \$26,000 and \$173,000	21	213,933	65
Between \$27 and \$25,999	78	585,566	48
Did Not Receive a Bonus	142	291,266	13
Total	246	1,261,558	33

To understand the differences in the number of cases reviewed by MCs, we interviewed CA-DDS supervisors and MCs and observed MCs perform case reviews. According to CA-DDS supervisors and MCs, the variances in the number of cases reviewed were due to differences in computer skills, experience levels, and the methodologies used to review cases. During our observations, some MCs thoroughly reviewed the medical evidence before reaching a conclusion and provided a lengthy narrative for their conclusion, whereas other MCs relied more on the Disability Evaluation Analyst's case preparation to reach a conclusion and used templates to write their conclusions.

In September 2011, SSA's San Francisco Regional Office reviewed the administration and management oversight of the MC bonus program. As a result of its review, the San Francisco Regional Office recommended that CA-DDS review the 90-case weekly threshold because electronic case processing, and the Disability Evaluation Analyst's preparation of cases has made the MC case review more efficient. We agree with this recommendation and believe CA-DDS should increase the 90-case threshold requirement before an MC is eligible for a bonus.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

From the California Disability Determination Services (CA-DDS), we obtained personnel cost data for 104 medical consultants (MC) for Fiscal Years (FY) 2009 through 2011. From this population, we identified 26 MCs who received over \$25,000 in bonus payments during the 3-year period.

We also obtained a data file that consisted of disability case data for cases reviewed by MCs who participated in the bonus program during our 3-year period (FYs 2009 through 2011). From the data file, we identified a population of 23,596 cases in which an MC may have been paid bonus for a case more than once.

To accomplish our objective, we

- reviewed applicable Federal laws and regulations and applicable sections of the *Social Security Act* and SSA's Program Operations Manual System;
- interviewed employees from the California Department of Social Services (CA-DDS) and SSA employees from the San Francisco Regional Office's Management and Operations Support, Center for Disability;
- determined whether bonus payments made to MCs were proper by reviewing the
 - ✓ weekly generated MIDAS reports;
 - ✓ electronic file of disability case data;
 - ✓ MC monthly timesheets; and
 - ✓ *Medical Consultant-Case Closure Bonus Certification* forms.

We determined the computer-processed data from the CA-DDS were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We conducted our audit in Richmond, California, and at various CA-DDS branch offices between September 2012 and June 2013. The entities audited were SSA's San Francisco Regional Office and CA-DDS.

We conducted our 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 our 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.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

We obtained payroll data for Fiscal Years (FY) 2009 through 2011 for all medical consultants (MC) employed by the California Disability Determination Services (CA-DDS). We identified 104 MCs whom CA-DDS paid \$5,034,348 in bonuses during this period.

Table B–1 summarizes the bonus payments for the 3-year period.

Table B–1: Summary of Bonus Payments

Amount Paid to Individual MCs	Number of MCs	Number of Bonus Payments	Total Amount Paid	Percent of Total
Between \$346,000 and \$857,000	5	177	\$3,472,254	69
Between \$26,000 and \$173,000 ¹	21	526	\$1,360,296	27
Less than \$26,000	78	243	\$201,798	4
Total	104	946	\$5,034,348	100

Improper Bonus Payments

From the population of 946 bonus payments, we reviewed the highest (1) 10 bonus payments made to each of the 5 MCs who received between \$346,000 and \$857,000 and (2) 2 bonus payments made to each of the 21 MCs who received between \$26,000 and \$173,000. Based on our review, we found that CA-DDS improperly paid 20 MCs \$15,687.

The following tables provide the details of our sample results.

Table B–2: Population and Sample Sizes

Amount Paid to Individual MCs	Bonus Payments	Sample Size
Between \$346,000 and \$857,000	177	50
Between \$26,000 and \$173,000	526	42
Total	703	92

¹ There were no MCs who CA-DDS paid a bonus between \$173,000 and \$346,000.

Table B-3: Improper Bonus Payments

Amount Paid to Individual MCs	Number of MCs	Number of Improper Payments	Overpayment	Underpayment	Total Improper Payments
Between \$346,000 and \$857,000	5	24	\$4,050	\$4,725	\$8,775
Between \$26,000 and \$173,00	15	17	\$3,483	\$3,429	\$6,912
Total	20	41	\$7,533	\$8,154	\$15,687

Improper Payments for Duplicate Cases Claimed

We identified a population of 23,596 potential duplicate cases claimed by MCs during FYs 2009 through 2011. From this population, we randomly selected 200 for review. We found that 78 (39 percent) of the 200 potential duplicate payments resulted in improper duplicate payments totaling \$2,349. Projecting our sample results to the population of 23,596 duplicate cases, we estimate that CA-DDS improperly paid MCs \$277,135 for 9,202 duplicate cases claimed.

The following tables provide the details of our sample results and statistical projections.

Table B-4: Population and Sample Size

Description	Number
Population Size	23,596
Sample Size	200

Table B-5: Improper Payments for Duplicate Cases Claimed

Description	Number	Amount
Sample Results	78	\$2,349
Point Estimate	9,202	\$277,135
Projection – Lower Limit	7,847	\$234,072
Projection – Upper Limit	10,616	\$320,198

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

Appendix C – MEDICAL CONSULTANT - CASE CLOSURE BONUS CERTIFICATION FORM

MEDICAL CONSULTANT - CASE CLOSURE BONUS CERTIFICATION			
Name of Medical Consultant	Social Security Number	Time Base (FT, PT)	Position Number
RATE:			
Medical Consultant I's and Medical Consultant I's (Psychiatrist), will receive \$27.00 per closure for each case closed beyond an established base of 90 closed cases per workweek.			
For part-time employees, the base production rate will be prorated consistent with the employee's time-base, (i.e., a half-time employee in one of the classes indicated above would be expected to close 45 cases per week before the pay differential would start).			
CRITERIA:			
A week shall be considered Monday through Sunday. For monthly report purposes, the pay period that a Saturday falls in will control the month into which that week's cases are credited.			
Medical Consultant I's and Medical Consultant I's (Psychiatrist) are expected to maintain program requirement with regard to accuracy of case adjudication.			
Employees receiving this pay differential are not eligible for any other additional compensation for the type and nature of the above described work.			
CASES CLOSED FOR THE WEEK ENDING	CASES CLOSED FOR THE WEEK ENDING		
Total cases closed:	Total cases closed:		
Minus base number (90, 45, etc.)	Minus base number (90, 45, etc.)		
Total number of extra cases	Total number of extra cases		
CASES CLOSED FOR THE WEEK ENDING	CASES CLOSED FOR THE WEEK ENDING		
Total cases closed:	Total cases closed:		
Minus base number (90, 45, etc.)	Minus base number (90, 45, etc.)		
Total number of extra cases	Total number of extra cases		
CASES CLOSED FOR THE WEEK ENDING	Pay Period: _____ Year: _____		
Total cases closed:	Total number of extra cases for the Pay Period		
Minus base number (90, 45, etc.)	X \$27.00 = _____		
Total number of extra cases	(Gross rate)		
I certify that the above information is accurate.	I certify that the above employee is eligible for the amount shown.		
EMPLOYEE'S SIGNATURE	DATE	SUPERVISOR'S SIGNATURE	DATE
PLEASE PRINT SUPERVISOR'S NAME AND TITLE			
THIS AREA FOR PERSONNEL USE ONLY:			
	DATE RECEIVED:	DATE ISSUED:	
	DATE KEYED:	PSS INITIALS:	

Appendix D– AGENCY COMMENTS

August 26, 2013

Subject: Signed Draft Report (A-09-12-21248) - San Francisco Reply

Pat,

We reviewed the draft OIG report, “Bonus Payments Made to California Disability Determination Services’ Employees” (A-09-12-21248), and attached are our comments and recommendations for consideration.

Staff questions may be directed to Heather Hackett, Disability Program Administrator in the Center for Disability, at (510) 970-8296.

Steve Breen for
Grace M. Kim
Regional Commissioner
Social Security Administration
Region IX - San Francisco

San Francisco Region

OIG Report: Bonus Payments Made to California Disability Determination Services' Employees

A-09-12-21248

Following are comments from the San Francisco Region on the OIG Report, "Bonus Payments Made to California Disability Determination Services' Employees."

RECOMMENDATIONS:

Recommendation 1: Instruct CA-DDS to take appropriate corrective action for the \$15,687 in improper payments made to 20 MCs.

- **Response:** We agree. We will work with the California DDS to take appropriate corrective action to address the total of \$8,505 in underpayments and \$7,884 in overpayments, for a net total of <\$621> in improper payments.

Recommendation 2: Instruct CA-DDS to improve controls to prevent and detect improper payments made to MCs. The improved controls should ensure CA-DDS (a) identifies duplicate cases claimed, (b) correctly determines weekly threshold amounts, and (c) properly retains all documentation supporting bonus payments.

- **Response:** We agree. The California DDS intends to implement improved controls prior to reinstituting use of the MC Pay-Per-Case (Bonus) Plan. We will work with the State to improve the mechanisms used to determine weekly threshold levels and identify duplicate cases. In addition, we will work with the California DDS to develop a policy regarding document retention.

Recommendation 3: Instruct CA-DDS to refund \$277,135 in improper bonus payments and benefits for duplicate cases claimed by MCs or provide documentation that the payments were proper.

- **Response:** We agree that the California DDS issued 61 incorrect pay-per-case (bonus) payments totaling \$1,647. The State made payments for duplicate reviews in 54 (27 percent) of the 200 cases sampled. We will work with the State and OIG to determine the appropriate refund amount.

The State's negotiated agreement with the Union of Physicians, Dentists and Podiatrists (UAPD) provides for payment when a case is reviewed "for closure;" however, the agreement does not define the term. MCs may be requested to review cases "for closure" and sign determination documents more than once on

a single case, e.g., after additional evidence is received, after a quality review, in Reopening, etc. As a result, we do not agree with the conclusion that reviews completed for cases returned from the quality assurance process, and reviews conducted following the receipt of additional evidence within seven days of the initial review, were improper duplicate payments. We will work with the California DDS to develop clear instructions regarding the definition of "for closure" prior to reinstituting use of the MC Pay-Per-Case (Bonus) Plan.

Recommendation 4: Work with CA-DDS to determine whether there is a cost-effective method to identify and refund any improper bonus payments and benefits for duplicate cases claimed in FYs 2006 through 2008.

➤ **Response:** We agree. After completing the review of potential duplicate cases for FYs 2009 through 2011, we will work with the California DDS to determine if there is a cost effective way to identify and refund any improper bonus payments for FYs 2006 through 2008.

Recommendation 5: Work with CA-DDS to develop a cost-effective quality assurance program that ensures MCs who participate in the bonus program maintain program requirements regarding case accuracy.

➤ **Response:** We agree in part. The California DDS has a robust and policy-compliant quality assurance program, which ensures excellent claims accuracy. Using this quality assurance system, the State has exceeded the established initial performance target, achieving initial performance accuracy of 98.4 percent in FY 2012. However, the State's quality assurance program does not provide statistically valid data down to the individual employee level. Prior to reinstituting use of the MC Pay-Per-Case (Bonus) Plan, we will work with the State to improve the method used to assess individual MC compliance with the case accuracy requirements included in the negotiated agreement with UAPD.

Appendix E – CALIFORNIA DEPARTMENT OF SOCIAL SERVICES' RESPONSE



STATE OF CALIFORNIA—HEALTH AND HUMAN SERVICES AGENCY
DEPARTMENT OF SOCIAL SERVICES

744 P Street • Sacramento, CA 95814 • www.cdss.ca.gov



EDMUND G. BROWN JR.
GOVERNOR

August 28, 2013

Mr. Patrick P. O'Carroll, Jr., Inspector General
Office of Inspector General
Social Security Administration
6401 Security Boulevard
Baltimore, MD 21235-0001

Dear Mr. O'Carroll:

SUBJECT: OFFICE OF INSPECTOR GENERAL AUDIT REPORT A-09-12-21248

This letter provides the California Department of Social Services' (CDSS) initial response to the Office of Inspector General, Social Security Administration's Office draft report entitled *Bonus Payments Made to California Disability Determination Services' Employees*.

The CDSS acknowledges that some inaccurate payments were made to Medical Consultants working under California's Medical Consultant Bonus Plan for the Fiscal Years 2009 through 2011. There were data entry and mathematical errors on payment certification forms and payments as well as some duplicate cases claimed. The Department's responses outline the steps planned to remedy these overpayments and underpayments and, prior to using the Bonus Plan in the future, address control weaknesses in the Medical Consultant Bonus Plan.

California suspended use of the Medical Consultant Bonus Plan on November 14, 2011. If there is any future use of the Bonus Plan, CDSS will work with the Social Security Administration to improve controls to prevent any improper payments or duplicate payments.

Thank you for the opportunity to provide a written response to the draft report. If you have any questions concerning the enclosed CDSS response, please contact me at (916) 657-2598 or Cynthia Fair, Audits Bureau Chief, at (916) 654-2474.

Sincerely,



WILL LIGHTBOURNE
Director

Enclosure

California Department of Social Services (CDSS)
RESPONSES TO AUDIT RECOMMENDATIONS

Office of Inspector General (OIG) – Social Security Administration (SSA)

Audit #: A-09-12-21248

Audit Title: ***Bonus Payments Made to California Disability Determination Services' Employees***

Recommendations for Social Services:

Recommendation:

1. – Take appropriate corrective action for the \$15,687 in improper payments made to 20 MCs (Medical Consultants).

CDSS Initial Response:

The CDSS acknowledges that some MCs working in the Medical Consultant Bonus Plan (MCBP) were inaccurately underpaid or overpaid during this period from 2009-2011. The CDSS found several data entry and mathematical errors on payment certification forms and has also verified some errors by staff in calculating the weekly threshold for payments. A review of the data used by the OIG to come to the finding of \$15,687 in "improper payments" shows that the OIG calculated a total of \$7,533 in overpayments and \$8,154 in underpayments. Based on CDSS' review of the data, the Department is able to fully verify \$5,265 in overpayments and \$2,052 in underpayments. The CDSS will work with SSA to understand the differences and to take whatever corrective actions are deemed to be appropriate to address this finding.

Recommendation:

2. – Improve controls to prevent and detect improper payments made to MCs.

CDSS Initial Response:

The CDSS agrees with this recommendation. The California Disability Determination Services (DDS) has not used the MCBP since November 2011. Prior to any future use of the MCBP, the California DDS will work with the SSA to improve controls to prevent any improper payments. Specifically, the CDSS intends to:

- convert the payment certification forms to an Excel format to prevent mathematical errors,
- provide training and written instructions for staff who calculate the weekly threshold figures, and

- work with the SSA to improve the reports generated by their Modernized Integrated Disability Adjudication System (MIDAS) software so that duplicate entries can be prevented or detected.

Recommendation:

3. – Refund \$277,135 in improper bonus payments and benefits for duplicate cases claimed by MCs or provide documentation that the payments were proper.

CDSS Initial Response:

The contract between the State of California and the Union of American Physicians and Dentists (UAPD) outlines the terms of the MCBP. Under these terms, cases are eligible for bonus payment when they are “reviewed for closure.” The phrase “for closure” is not further defined. Many cases need more than one medical review during the adjudicative process. In some instances, additional medical evidence arrives after the MC review but before closure of the case, which requires the MC to re-review the case. In other instances, a subsequent reviewer may provide an opinion that requires the MC to re-review the claim. In some cases, the MC will determine that the case is not ready for closure and request that additional evidence be obtained. The MC will then re-review the claim after that evidence is received. The determination as to whether a review is “for closure” is not always clear-cut and CDSS has relied on the professional judgment of the MCs to make this determination. The process for claiming review credit relies on the MC to make a computer entry, which is then captured in a report that runs weekly. Although this was not the intent, some MCs did make multiple entries (each on different dates) for re-reviews of the same case. The new Bargaining Unit 16 contract clarifies that an MC may receive credit and pay only once for each case reviewed which should eliminate the prior confusion. Using the same review method and sample that the OIG used to come to the projected finding of improper payments for duplicate cases, the California DDS agrees that 61 improper duplicate payments were made on 55 cases, for a total of \$1,647 in overpayments. Projecting this out to the universe of 23,596 “potentially duplicate” cases identified by the OIG results in a projection of \$194,313 in improper payments. The CDSS will work with SSA to understand the difference between \$277,135 and \$194,313 and refund the appropriate amount to the SSA. The California DDS also plans to provide clarification regarding the term “for closure” prior to any future use of the MCBP.

Recommendation:

4. – Determine whether there is a cost-effective method to identify and refund any improper bonus payments and benefits for duplicate cases claimed in FYs [Fiscal Years] 2006 through 2008.

CDSS Initial Response:

Based on the current audit findings, the CDSS acknowledges that it is possible that some bonus payments were inaccurately underpaid or overpaid in FYs 2006 through

2008. The California DDS will work with the SSA to make a determination as to whether there is a cost-effective method to identify and correct any inaccurate under/over payments during those FYs.

Recommendation:

- 5. – Develop a cost-effective quality assurance program that ensures MCs who participate in the bonus program maintain program requirements regarding case accuracy.*

CDSS Initial Response:

The California DDS maintains a rigorous pre-adjudicative quality assurance (QA) review process, which is compliant with SSA policies. In addition, cases adjudicated by the California DDS are subject to review by the SSA's Office of Quality Performance (OQP). OQP provides statistically valid accuracy data for each state based on their review. As of June 2013, OQP data showed a 98.5 percent accuracy rate for the California DDS, which confirms that the California DDS is effectively maintaining program requirements regarding case accuracy. The California DDS QA review process does not provide statistically valid data at the individual employee level because the SSA's MIDAS software does not allow CDSS to obtain separate samples or produce separate reports for a fully "random sample" quality review and the targeted ("focused") quality review for the same review period. The CDSS will continue to maintain its rigorous quality review process to ensure the accuracy of all MC work. If the MCBP is re-instituted in the future, the California DDS will work with the SSA to identify a cost-effective method to provide a measurement to document that MCs who participate in the MCBP maintain program requirements regarding case accuracy.

Appendix F – MAJOR CONTRIBUTORS

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