

Audit Report

Adjustment of Disabled Wage
Earners' Benefits at Full Retirement
Age

A-09-12-11264 / May 2013

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 17, 2013 **Refer To:**
To: The Commissioner
From: Inspector General
Subject: Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age (A-09-12-11264)

The attached final report presents the results of our audit. Our objective was to determine whether the Social Security Administration accurately adjusted disabled wage earners' benefits when they reached full retirement age.

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

Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age

A-09-12-11264



May 2013

Office of Audit Report Summary

Objective

To determine whether the Social Security Administration (SSA) accurately adjusted disabled wage earners' benefits when they reached full retirement age (FRA).

Background

The *Social Security Act* contains two provisions that affect the calculation of monthly benefits for individuals who are entitled to both retirement and disability benefits before FRA.

The first provision allows a disabled beneficiary to elect a reduced retirement benefit at age 62 to avoid workers' compensation or public disability benefits offset. In these instances, the beneficiary is simultaneously entitled to disability and reduced retirement benefits.

When the beneficiary attains FRA, the benefit reduction must be eliminated for any months of simultaneous entitlement to disability benefits.

The second provision concerns individuals who elect reduced retirement benefits before they become entitled to disability benefits. In these instances, the disability benefit must be reduced for the months the individual was entitled to reduced retirement benefits.

Our Findings

SSA did not always properly adjust the benefits of disabled wage earners at FRA. We estimate:

- SSA improperly paid about \$8.2 million to 652 beneficiaries who had previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset.
- SSA improperly paid about \$1.4 million to 1,345 beneficiaries because it did not correctly adjust their disability benefits to account for the months they received reduced retirement benefits before FRA.

These payment errors occurred because SSA did not (1) establish manual diaries to ensure it increased monthly benefit amounts at FRA, (2) take appropriate action on the diaries when they matured, or (3) account for prior entitlement to reduced retirement benefits.

Our Recommendations

We recommend that SSA:

1. Take appropriate action to pay underpayments and establish overpayments for the 53 beneficiaries identified by our audit.
2. Review and take appropriate action for the remaining population of 969 beneficiaries who were simultaneously entitled to retirement and disability benefits while eligible for workers' compensation or public disability benefits.
3. Improve controls to ensure reduction factors are properly adjusted upon entitlement to disability benefits and at FRA. For example, generate an alert at FRA for beneficiaries who were simultaneously entitled to retirement and disability benefits but elected to receive reduced retirement benefits.
4. Remind employees to ensure reduction factors are properly adjusted upon entitlement to disability benefits and at FRA.

SSA generally agreed with our recommendations.

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ABBREVIATIONS

C.F.R.	Code of Federal Regulations
FRA	Full Retirement Age
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) accurately adjusted disabled wage earners' benefits when they reached full retirement age (FRA).

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*.¹ The program provides monthly benefits to retired and/or disabled workers and their families and to survivors of deceased workers. Retired workers are eligible for reduced retirement benefits before FRA. To calculate the monthly benefit amount, SSA applies a reduction factor based on the number of months before FRA for which the individual received reduced retirement benefits.² The *Social Security Act* contains two provisions that affect the calculation of monthly benefits for individuals who are entitled to both retirement and disability benefits before FRA.³

The first provision allows a disabled beneficiary to elect a reduced retirement benefit at age 62 to avoid workers' compensation or public disability benefits offset or to receive a higher total family benefit amount. In these instances, the beneficiary is simultaneously entitled to disability and reduced retirement benefits. When the beneficiary attains FRA, the benefit reduction must be eliminated for any months of simultaneous entitlement to disability benefits.⁴ When a beneficiary makes this election, SSA employees must prepare a manual diary to increase the monthly benefit amount at FRA.⁵

The second provision concerns individuals who elect reduced retirement benefits before they become entitled to disability benefits. In these instances, the disability benefit must be reduced for the months the individual was entitled to reduced retirement benefits.⁶

¹ *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

² *Social Security Act* § 202(q), 42 U.S.C. § 402(q). See also SSA, POMS, RS 00615.004 (September 16, 2002). FRA occurs at age 65 for those born before January 2, 1938. FRA increases incrementally from age 65 to age 67 for those born from January 2, 1938 through January 1, 1962. FRA occurs at age 67 for those born after January 1, 1962.

³ *Social Security Act* §§ 202(q)(2) and (q)(7)(F), 42 U.S.C. §§ 402(q)(2) and (q)(7)(F).

⁴ *Social Security Act* § 202(q)(7)(F), 42 U.S.C. § 402(q)(7)(F). See also SSA, POMS, DI 52101.001 (April 22, 2010).

⁵ SSA, POMS, RS 00615.482.C (December 20, 2010).

⁶ *Social Security Act* § 202(q)(2), 42 U.S.C. § 402(q)(2). See also SSA, POMS, RS 00615.410 (March 16, 2011).

In a 2008 audit,⁷ we found that SSA did not always properly adjust disabled wage earners' benefits at FRA. We estimated that SSA underpaid about \$39.9 million to 2,782 beneficiaries who previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset. We also reported that SSA improperly paid about \$3.2 million to 3,220 beneficiaries because it did not apply the correct reduction factors for the months of entitlement to retirement benefits before FRA.

For our current audit, we identified 13,831 beneficiaries who attained FRA and whose benefit amounts were affected by the 2 provisions of the *Social Security Act*. Of these, 1,019 beneficiaries had elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset. From this population, we selected a random sample of 50 beneficiaries for review. In addition, 12,812 beneficiaries had received reduced retirement benefits before entitlement to disability benefits. From this population, we selected a random sample of 200 beneficiaries for review (see Appendix A).

RESULTS OF REVIEW

SSA did not always properly adjust the benefits of disabled wage earners at FRA. Based on our random samples, we estimate:

- SSA improperly paid about \$8.2 million to 652 beneficiaries who had previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset. This consisted of improper payments for (1) new errors in our current audit and (2) unresolved errors from our prior audit.
- SSA improperly paid about \$1.4 million to 1,345 beneficiaries because it did not correctly adjust their disability benefits to account for the months they received reduced retirement benefits before FRA. This consisted of improper payments for (1) new errors in our current audit and (2) unresolved errors from our prior audit.

We are 90-percent confident the number of beneficiaries improperly paid who previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset ranged from 527 to 764, and the improper payments ranged from \$6.3 to \$10.1 million. We are also 90-percent confident the number of beneficiaries improperly paid because SSA did not correctly adjust their disability benefits for the months they received reduced retirement benefits ranged from 919 to 1,887, and the improper payments ranged from \$694,946 to \$2.1 million (see Appendix B).

These payment errors occurred because SSA did not (1) establish manual diaries to ensure it increased monthly benefit amounts at FRA, (2) take appropriate action on the diaries when they matured, or (3) account for prior entitlement to reduced retirement benefits.

⁷ SSA, OIG, *Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age* (A-09-07-17134), March 2008.

Retirement Benefits Not Increased at FRA

The *Social Security Act* allows a disabled beneficiary to elect a reduced retirement benefit at age 62 to avoid workers' compensation or public disability benefits offset or to receive a higher total family benefit amount. When the beneficiary attains FRA, the benefit reduction must be eliminated for any months of simultaneous entitlement to disability and reduced retirement benefits.⁸

We identified 1,019 beneficiaries⁹ who had elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset whose monthly benefit amount was not increased at FRA. Our review of a random sample of 50 beneficiaries found that SSA did not increase the monthly benefit amounts of 32 (64 percent) beneficiaries to reflect their simultaneous entitlement to disability benefits. As depicted in Figure 1, this consisted of 8 beneficiaries in our current audit and 24 beneficiaries from our prior audit for whom SSA had not taken corrective action.¹⁰ The remaining 18 (36 percent) beneficiaries were correctly paid. This occurred because SSA employees did not always establish manual diaries or take action on the manual diaries when they matured. As a result, SSA improperly paid these beneficiaries \$400,667.¹¹ This included \$7,379 in overpayments to 2 beneficiaries and \$393,288 in underpayments to 30 beneficiaries.

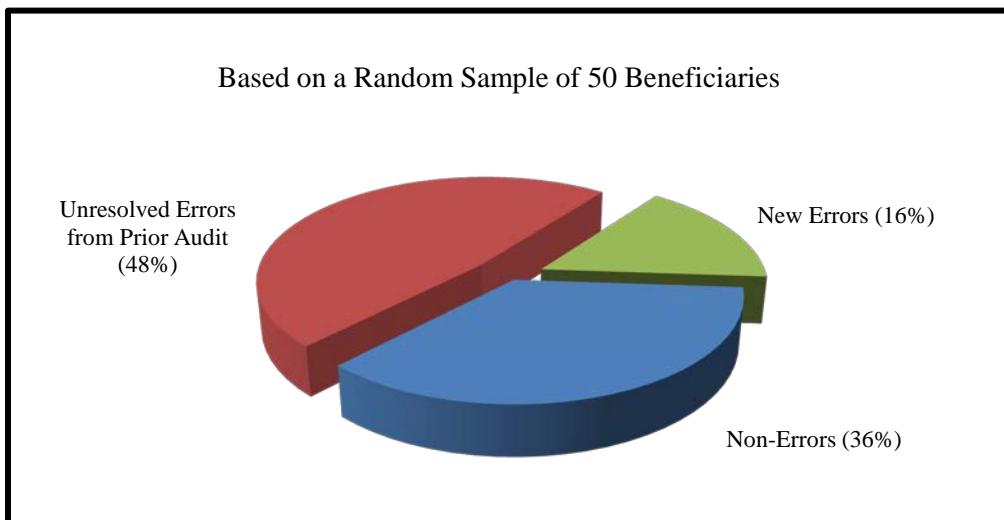
⁸ *Social Security Act* § 202(q)(7)(F), 42 U.S.C. § 402(q)(7)(F). See also SSA, POMS, DI 52101.001 (April 22, 2010).

⁹ We identified a population of 23,510 beneficiaries who had elected reduced retirement benefits to avoid workers' compensation or public disability offset. From this, we identified 1,019 beneficiaries whose monthly benefit amount had not been increased at FRA.

¹⁰ Our prior audit included underpayments from June 1990 to May 2007. For our current audit, the amounts reported represent underpayments from June 2007 to September 2012.

¹¹ The mean was \$12,521. The median was \$13,628.

Figure 1: Retirement Benefits Not Increased at FRA



For example, a disabled beneficiary elected reduced retirement benefits at age 62 to avoid workers' compensation offset. When the beneficiary made this election, SSA correctly applied a retirement reduction factor of 45 months to reduce the monthly benefit. However, when the beneficiary attained FRA in August 2008, SSA did not eliminate the retirement reduction factor to reflect the simultaneous entitlement to disability benefits, as required. As a result, SSA underpaid the beneficiary by \$18,426 from August 2008 to September 2012.

We believe SSA should improve controls to ensure reduction factors are properly adjusted at FRA. SSA's automated system generates an alert for beneficiaries who may be eligible for higher disability benefits when the workers' compensation or public disability benefits offset is removed at age 65. However, there are no alerts at FRA for beneficiaries who were simultaneously entitled to retirement and disability benefits but who elected to receive reduced retirement benefits. Since disability benefits must be converted to retirement benefits and recalculated at FRA, SSA should create an alert to ensure the benefits are properly converted. SSA relies on its employees to establish manual diaries for these beneficiaries.¹² We found no evidence there were any manual diaries pending for the 32 improperly paid beneficiaries in our sample. If the diary is not prepared, the benefits may not be recalculated. An alert should ensure these benefits are properly identified and converted at FRA.

¹² SSA, POMS, RS 00615.482.C (December 20, 2010).

Improper Payments to Beneficiaries Who Received Reduced Retirement Benefits Before Entitlement to Disability

The *Social Security Act* states that, when a beneficiary is entitled to disability benefits after receiving reduced retirement benefits, the disability benefits are reduced by the amount the retirement benefits would have been reduced had the beneficiary attained FRA in the first month of entitlement to disability benefits.¹³ SSA policy states the reduction factor shall be the number of months from the month of entitlement to retirement benefits to the month of entitlement to disability benefits.¹⁴

We identified 12,812 beneficiaries who were entitled to reduced retirement benefits before they became eligible for disability benefits and whose benefits may not have been properly reduced for the months of prior entitlement. Our review of a random sample of 200 beneficiaries found that SSA did not properly adjust the monthly benefit amounts of 21 (10.5 percent) beneficiaries when they became entitled to disability benefits or when they attained FRA. As depicted in Figure 2, this consisted of 19 beneficiaries in our current audit and 2 beneficiaries from our prior audit for whom SSA had not taken corrective action.¹⁵ As a result, SSA improperly paid these beneficiaries \$21,852.¹⁶ This included \$12,870 in overpayments to 11 beneficiaries and \$8,982 in underpayments to 10 beneficiaries. The remaining 179 (89.5 percent) beneficiaries were correctly paid.

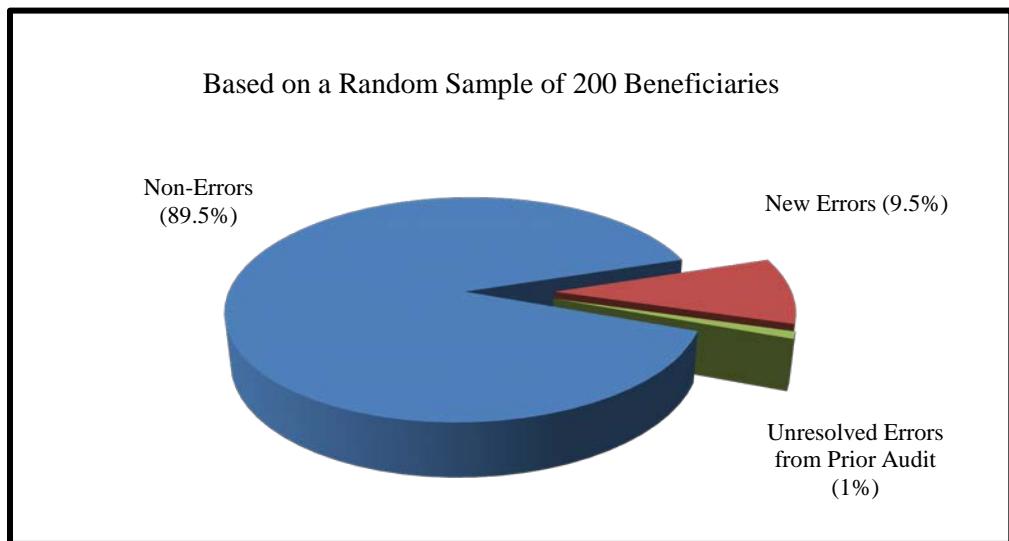
¹³ *Social Security Act* § 202(q)(2), 42 U.S.C. § 402(q)(2).

¹⁴ 20 C.F.R. § 404.317. *See also* SSA, POMS, RS 00615.410.B.2 (March 16, 2011).

¹⁵ Our prior audit included improper payments from June 1990 to May 2007. For our current audit, the amounts reported represent improper payments from June 2007 to September 2012.

¹⁶ The mean was \$1,047. The median was \$703.

Figure 2: Beneficiaries Receiving Retirement Benefits Before FRA



This occurred because SSA employees did not apply the proper reduction factors when the beneficiaries subsequently became entitled to disability benefits after receiving reduced retirement benefits.

For example, a beneficiary elected reduced retirement benefits at age 63. SSA correctly applied a 28-month retirement reduction factor to the monthly benefit. When the beneficiary became eligible for disability in December 2007, SSA should have reduced the disability benefits to account for 10 months of prior retirement benefits received. Instead, SSA incorrectly applied a reduction factor of 15 months and, at FRA, applied a reduction factor of 20 months. As a result, SSA underpaid the beneficiary \$3,562 from December 2007 to September 2012.

SSA Actions in Response to Our Prior Audit

Our 2008 audit¹⁷ found that SSA had not properly adjusted disabled wage earners' benefits at FRA. We estimated that SSA underpaid about \$39.9 million to 2,782 beneficiaries who previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset. We also reported that SSA improperly paid about \$3.2 million to 3,220 beneficiaries because it did not apply the correct reduction factors for the months of entitlement to reduced retirement benefits before entitlement to disability. Our prior report included several recommendations for corrective action.

1. Take corrective action to pay underpayments and establish overpayments for the 100 beneficiaries identified by our audit.

¹⁷ SSA, OIG, *Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age* (A-09-07-17134), March 2008.

SSA Actions – SSA stated it took corrective action to pay underpayments and establish overpayments for the 100 beneficiaries.

OIG Comments – We found that SSA had taken action for 96 of the 100 beneficiaries in our prior audit. As a result, SSA paid about \$1.5 million in underpayments and recovered \$2,243 in overpayments. SSA did not take action for the remaining four beneficiaries.

2. Identify and take corrective action on the population of beneficiaries underpaid because their benefits were not increased at FRA to eliminate the benefit reduction for any months of entitlement to disability benefits.

SSA Actions – According to SSA, it identified about 7,700 disabled beneficiaries who attained age 65 between January 2003 and July 2007 and received reduced retirement benefits from age 65 to FRA. SSA stated it mailed letters to notify these beneficiaries they may have been underpaid. SSA also stated it had created an alert at age 65 for beneficiaries who previously elected reduced retirement benefits to avoid workers' compensation offset to receive higher disability benefits.

OIG Comments – SSA's actions were generally effective for the beneficiaries who attained age 65 between January 2003 and July 2007. Of the 32 improper payments we identified during our current audit, only 1 attained FRA during this period. However, 31 of the 32 improper payments were for beneficiaries who attained FRA before January 2003 or after July 2007. Finally, we believe an automated alert at FRA for these cases may help ensure SSA employees take corrective action to increase benefits at FRA.

3. Identify and take corrective action on the population of beneficiaries who are improperly paid because they received reduced retirement benefits before entitlement to disability benefits.

SSA Actions – SSA stated the overpayments resulted from the incorrect payment of full disability benefits after prior entitlement to retirement benefits and agreed to explore ways of handling these overpayments. SSA also stated that, in 2010, it had approved a project to identify and correct the population of beneficiaries who were improperly paid because they received reduced retirement benefits before entitlement to disability benefits. However, because of limited resources, SSA was unable to implement the project.

OIG Comments – At the time of our current audit, SSA had not implemented this recommendation. Of the 21 improper payments we identified during our current audit, 2 were for beneficiaries from our prior audit for whom SSA had not taken corrective action.

Remind employees to prepare manual diaries when processing claims for simultaneous entitlement to retirement and disability benefits and take appropriate action on the diaries when they mature.

SSA Actions – In April 2008, SSA issued a reminder for employees to establish manual diaries when processing these cases and take action on the diaries when they mature.¹⁸

OIG Comments – For our current audit, we found no evidence that manual diaries were prepared for any of the 32 improper payments. Should SSA create an automated alert at FRA for these cases, manual diaries would no longer be necessary.

4. Establish appropriate controls to ensure that reduction factors are properly adjusted at FRA.

SSA Actions – SSA stated that alerts should be automatically generated for these cases and agreed to explore ways of addressing these errors. SSA also stated that, in 2010, it approved a project to establish automated controls to ensure that reduction factors were properly adjusted at FRA. However, because of limited resources, SSA was unable to implement the project.

OIG Comments – At the time of our current audit, SSA had not implemented this recommendation.

CONCLUSIONS

SSA did not always properly adjust the benefits of disabled wage earners at FRA. Based on our random samples, we estimate SSA (1) improperly paid about \$8.2 million to 652 beneficiaries who had previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset and (2) improperly paid about \$1.4 million to 1,345 beneficiaries because it did not correctly adjust their disability benefits to account for the months they received reduced retirement benefits before FRA (see Appendix B).

Our review identified a high error rate (64 percent) and high average payment error (\$12,521) for the beneficiaries in our sample who previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset. Conversely, the beneficiaries in our sample who received reduced retirement benefits before entitlement to disability benefits had a lower error rate (10.5 percent) and lower average payment error (\$1,041).

RECOMMENDATIONS

We recommend that SSA:

1. Take appropriate action to pay underpayments and establish overpayments for the 53 beneficiaries identified by our audit.

¹⁸ SSA, Administrative Message 08056, April 22, 2008.

2. Review and take appropriate action for the remaining population of 969 beneficiaries who were simultaneously entitled to retirement and disability benefits while eligible for workers' compensation or public disability benefits.
3. Improve controls to ensure staff use reduction factors properly in making adjustments upon entitlement to disability benefits and at FRA. For example, generate an alert at FRA for beneficiaries who were simultaneously entitled to retirement and disability benefits but elected to receive reduced retirement benefits.
4. Remind employees to apply the proper reduction factors when beneficiaries subsequently become entitled to disability benefits after receiving reduced retirement benefits.

AGENCY COMMENTS

SSA agreed with Recommendations 1, 3, and 4 and stated it would defer agreeing with Recommendation 2 until it reviewed the 53 sample cases identified by our audit. The Agency's comments are included in Appendix C.

APPENDICES

Appendix A – SCOPE AND METHODOLOGY

We reviewed two provisions of the *Social Security Act* that affect the monthly benefit amount of individuals who were entitled to disability benefits and subsequently attained full retirement age (FRA).¹ In April 2012, we obtained from the Social Security Administration's (SSA) Master Beneficiary Record (MBR) a data extract of 1,019 beneficiaries in current pay status who had attained FRA and previously elected reduced retirement benefits to avoid workers' compensation or public disability benefits offset. We also obtained a data extract of 12,812 beneficiaries in current pay status who had attained FRA and previously received reduced retirement benefits before entitlement to disability benefits.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, Code of Federal Regulations, and U.S. Code as well as SSA's Program Operations Manual System;
- interviewed SSA employees from the Western Program Service Center and Office of Retirement and Survivors Insurance Systems;
- selected 2 random samples of (1) 50 beneficiaries who were simultaneously entitled to retirement and disability benefits while eligible for workers' compensation or public disability benefits and (2) 200 beneficiaries who had received reduced retirement benefits before entitlement to disability benefits;
- reviewed queries from SSA's MBR, Online Retrieval System, and Claims Folder Records Management System; and
- used SSA's Interactive Computation Facility to determine the amount of benefits payable.

We determined whether the computer-processed data from the MBR were sufficiently reliable for our intended use. We tested the data to determine their completeness and accuracy. These tests allowed us to assess the reliability of the data and achieve our audit objectives.

We evaluated SSA's controls and procedures for calculating the reduction factors of wage earners upon entitlement to retirement or disability benefits and at FRA. Specifically, we determined whether SSA accurately paid the beneficiaries after adjusting the reduction factors. In our prior audit,² we reported the total under- and overpayments from initial entitlement to retirement or disability benefits to May 2007. For our current audit, the amounts reported represent the total underpayments and overpayments from June 2007 to September 2012.

¹ *Social Security Act §§ 202(q)(2) and (q)(7)(F), 42 U.S.C. §§ 402(q)(2) and (q)(7)(F).*

² SSA, OIG, *Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age* (A-09-07-17134), March 2008.

We conducted audit work in Richmond, California, and Baltimore, Maryland, between July and December 2012. The entity audited was the Office of Operations under the Office of the Deputy Commissioner for 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 our findings and conclusions based on our audit objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLING METHODOLOGY AND RESULTS

We obtained two data extracts from the Social Security Administration's (SSA) Master Beneficiary Record (MBR) of beneficiaries who were in current pay status and received reduced retirement benefits. The first extract consisted of wage earners who were simultaneously entitled to retirement and disability benefits while eligible for workers' compensation or public disability benefits and attained full retirement age (FRA) on or before October 2011. The second extract consisted of wage earners who received reduced retirement benefits before entitlement to disability benefits.

Wage Earners Simultaneously Entitled to Retirement and Disability Benefits and Workers' Compensation or Public Disability Benefits

Our first extract consisted of 1,019 beneficiaries. We randomly selected 50 beneficiaries and calculated the monthly benefit amounts and improper payments for each beneficiary. Specifically, we calculated the reduction factor and determined whether it had been properly adjusted at FRA. We found that SSA did not adjust the reduction factors for 32 beneficiaries, resulting in \$400,667 in improper payments. This consisted of \$107,339 for 8 beneficiaries in our current audit and \$293,328 for 24 beneficiaries from our prior audit for whom SSA had not taken corrective action. Projecting our sample results to the population of 1,019 beneficiaries, we estimate that SSA improperly paid about \$8.2 million to 652 beneficiaries from June 2007 to September 2012.

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

Table B–1: Population and Sample Size

Description	Beneficiaries
Population Size	1,019
Sample Size	50

Table B–2: Unadjusted Reduction Factors at FRA

Description	Beneficiaries	Improper Payments
Sample Results	32	\$400,667
Point Estimate	652	\$8,165,593
Projection - Lower Limit	527	\$6,253,973
Projection - Upper Limit	764	\$10,077,214

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

Table B–3: Unadjusted Reduction Factors at FRA – Current Audit

Description	Beneficiaries	Improper Payments
Sample Results	8	\$107,339
Point Estimate	163	\$2,187,569
Projection - Lower Limit	86	\$841,334
Projection - Upper Limit	272	\$3,533,804

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

Table B–4: Unadjusted Reduction Factors at FRA – Prior Audit

Description	Beneficiaries	Improper Payments
Sample Results	24	\$293,328
Point Estimate	489	\$5,978,025
Projection - Lower Limit	367	\$4,170,082
Projection - Upper Limit	613	\$7,785,967

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

Wage Earners Receiving Reduced Retirement Benefits Before Entitlement to Disability Benefits

Our second extract consisted of 12,812 beneficiaries. We randomly selected 200 beneficiaries and calculated the reduction factors for each beneficiary. Specifically, we calculated the reduction factors upon entitlement to retirement or disability benefits and at FRA. We also calculated the total improper payments for each beneficiary. We found that SSA did not properly adjust the reduction factors for 21 beneficiaries, resulting in \$21,852 in improper payments. This consisted of 19 beneficiaries in our current audit and 2 beneficiaries from our prior audit for whom SSA had not taken corrective action. Projecting our results to the population of 12,812 beneficiaries, we estimate that SSA improperly paid about \$1.4 million to 1,345 beneficiaries from June 2007 to September 2012.

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

Table B–5: Population and Sample Size

Description	Beneficiaries
Population Size	12,812
Sample Size	200

Table B–6: Improperly Adjusted Reduction Factors Before FRA

Description	Beneficiaries	Improper Payments
Sample Results	21	\$21,852
Point Estimate	1,345	\$1,399,839
Projection - Lower Limit	919	\$694,946
Projection - Upper Limit	1,887	\$2,104,732

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

Appendix C – AGENCY COMMENTS



SOCIAL SECURITY

MEMORANDUM

Date: April 18, 2013

Refer To: S1J-3

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

From: Katherine Thornton /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Adjustment of Disabled Wage Earners' Benefits at Full Retirement Age" (A-09-12-11264)—INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
ADJUSTMENT OF DISABLED WAGE EARNERS' BENEFITS AT FULL
RETIREMENT AGE (FRA)" (A-09-12-11264)**

Recommendation 1

Take appropriate action to pay underpayments and establish overpayments for the 53 beneficiaries identified by our audit.

Response

We agree. We will review the 53 cases and take appropriate corrective action by July 31, 2013.

Recommendation 2

Review and take appropriate action for the remaining population of 969 beneficiaries who were simultaneously entitled to retirement and disability benefits while eligible for workers' compensation or public disability benefits.

Response

We defer agreeing to this recommendation. If our review of the 53 cases from Recommendation 1 confirms the findings, and if resources permit, we will review the remaining population of 969 beneficiaries. Our target completion date is September 30, 2013 (end of fiscal year 2013).

Recommendation 3

Improve controls to ensure staff use reduction factors properly in making adjustments upon entitlement to disability benefits and at FRA. For example, generate an alert at FRA for beneficiaries who were simultaneously entitled to retirement and disability benefits but elected to receive reduced retirement benefits.

Response

We agree. Resources permitting, we will improve controls to ensure staff use reduction factors properly. However, implementation of this recommendation is contingent upon the availability of Strategic Information Technology Assessment and Review resources.

Recommendation 4

Remind employees to apply the proper reduction factors when beneficiaries subsequently become entitled to disability benefits after receiving reduced retirement benefits.

Response

We agree. We will issue an Administrative Message to remind employees to properly adjust reductions factors upon entitlement to disability benefits and at FRA.

Appendix D – MAJOR CONTRIBUTORS

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Daniel Hoy, Senior Auditor

MISSION

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