
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**FOLLOW-UP OF
PENDING WORKERS' COMPENSATION:
THE SOCIAL SECURITY
ADMINISTRATION CAN PREVENT
MILLIONS IN TITLE II
DISABILITY OVERPAYMENTS**

September 2005

A-08-05-25132

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

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

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- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

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- Access to all information necessary for the reviews.
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By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: September 9, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: Follow-up of Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments (A-08-05-25132)

OBJECTIVE

Our objective was to determine the status of corrective actions the Social Security Administration (SSA) had taken to address recommendations resulting from our June 2003 report, *Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments* (A-08-02-12064).

BACKGROUND

All States require that employers provide workers' compensation (WC) insurance for employees in the event they suffer work-related injuries or occupational diseases.¹ The *Social Security Act* requires that SSA offset disability benefits for individuals who receive Federal, State or locally administered WC benefits in most States.²

When an individual applies for Title II disability benefits, SSA field office personnel determine whether the applicant may also be receiving WC payments.³ If SSA approves disability benefits and the applicant's WC claim is pending, SSA requires that the beneficiary self-report receipt of subsequent WC payments to SSA. Additionally, SSA policies and procedures require that personnel follow up on cases with pending

¹ The District of Columbia, American Samoa, Guam, the Northern Mariana Islands, Puerto Rico, and the Virgin Islands have similar provisions.

² SSA administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*. Section 223(a) of the Act (42 U.S.C. § 423(a)) provides monthly disability benefits to insured individuals meeting specific disability requirements. Section 224 (42 U.S.C. § 424a) requires that SSA offset disability benefits by any other disability benefits paid under any law or plan of the United States, a State, or political subdivision. However, 14 States are required by State law to offset WC benefits with Title II benefits.

³ SSA's WC policies and procedures are contained in Program Operations Manual System, section DI 52001.

WC claims until they are resolved. To remind personnel to follow up on pending WC claims, SSA's Modernized Claims System generates a one-time diary alert to program service center personnel 6 months after Title II benefit approval or on the expected WC decision date, whichever occurs first. If the WC case is still pending when program service center personnel attempt to resolve the first diary alert, they must manually establish additional diaries to ensure cases are periodically monitored until they are resolved. If program service center personnel do not establish additional diaries, Title II disability cases with pending WC claims may never be resolved, and SSA overpayments may occur.

Our June 2003 audit determined SSA had a significant backlog of pending WC cases. Based on a sample review of these cases, we estimated that SSA overpaid 17,890 Title II disability beneficiaries almost \$121 million because of unreported WC payments. We concluded that, if SSA did not take a proactive role in properly managing its pending WC workload, it would continue to build a significant backlog of pending WC cases and pay millions of dollars in additional overpayments.

SSA agreed to initiate actions to recover 10 Title II disability overpayments we identified. The Agency also agreed to conduct its own study of Title II cases with pending WC claims to detect high-risk and high-payoff cases and use the study results to accomplish the following:

- Take steps to reduce its backlog of Title II disability cases that have pending WC claims.
- Develop and implement an automated process to ensure the Agency systematically and routinely follows up on new pending WC cases.
- Explore systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.

To determine the status of corrective actions SSA has taken, we interviewed officials from SSA's Office of the Deputy Commissioner for Operations, reviewed policies and procedures, and updated the volume of Title II disability cases having pending WC claims for 2 or more years. We relied primarily on SSA's Master Beneficiary Record⁴ to complete our review and determined the data were sufficiently reliable given the audit objective and use of the data. We conducted our work from January through April 2005 in accordance with generally accepted government auditing standards.

⁴ The Master Beneficiary Record is an electronic record of payment-related information for Title II beneficiaries.

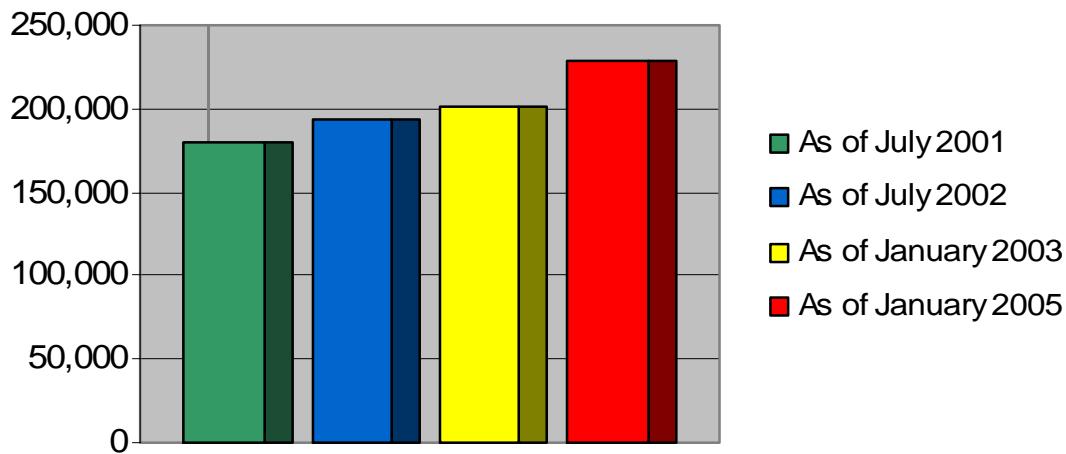
RESULTS OF REVIEW

Although SSA initiated actions to recover the 10 Title II disability overpayments we previously identified and studied its pending WC workload, the Agency had not taken corrective actions to identify and prevent such overpayments and manage its WC workload. Specifically, SSA had not (1) followed through with steps to reduce its backlog of Title II disability cases having pending WC claims, (2) developed and implemented an automated process to ensure the Agency systematically and routinely follows up on new pending WC cases, and (3) explored systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.

STEPS TAKEN TO REDUCE BACKLOG OF PENDING WC CASES

Our June 2003 review highlighted the size and growth of the Agency's pending WC workload. Based on the results of this review, we remain concerned about the backlog of Title II cases with pending WC issues. We determined that SSA had not taken steps to identify the thousands of Title II beneficiaries whom we estimated the Agency overpaid millions of dollars because of unreported WC payments. The volume of cases with WC claims pending for 2 or more years increased from 179,284 in July 2001 to 227,615 in January 2005, as illustrated in Figure 1. This represents a 27-percent increase over the past 3 years. Although we did not attempt to identify overpayments that may have occurred since July 2001, we expect such overpayments to increase as the number of pending WC cases increases.

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



In response to our prior audit, SSA began a study in 2003 to detect high-risk and high-payoff cases. SSA expected to use the study results to develop a plan for handling categories of cases where additional processing would be cost-effective. An official from SSA's Office of the Deputy Commissioner for Operations told us the study concluded it would be cost-effective to reduce the backlog of pending WC cases, but budget constraints prevented the Agency from doing so. While we recognize that reducing this backlog may require a significant commitment of personnel, we believe SSA has a stewardship responsibility to prevent, identify and recover overpayments to the best of its ability. Accordingly, we encourage SSA to commit the necessary resources to reduce its backlog of Title II disability cases having pending WC claims.

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

Our 2003 review determined that SSA did not have an automated process in place to ensure it systematically and routinely followed up on cases with pending WC issues. We concluded that millions of dollars in overpayments could have been prevented had SSA personnel routinely followed up on these cases. As such, we recommended that SSA develop and implement an automated process to ensure the Agency follows up on new pending WC cases. In response to our recommendation, SSA stated it would evaluate and consider any programming issues once it completed its WC study.

Although SSA had not implemented an automated process to follow up on new pending WC cases, an official from the Office of the Deputy Commissioner for Operations told us the Agency plans to explore such a process. While we recognize systems enhancements may require significant resources, we believe these changes would allow SSA to make timely adjustments to Title II benefit payments and avoid overpayments. Accordingly, we encourage SSA to commit the necessary resources to expeditiously develop and implement an automated process to address this issue.

SYSTEMS ENHANCEMENTS TO PROVIDE ACCURATE WC STATUS

Our June 2003 review determined that SSA needed accurate information to effectively manage its WC workload. We identified thousands of Title II disability cases in which SSA personnel (1) failed to remove the pending WC designation after resolving WC claims or (2) had information that WC was not a factor when applicants initially filed for Title II disability benefits. SSA classified these latter cases as having pending WC claims because its Modernized Claims System automatically designated them as such when claimants stated they had work-related injuries. We found that WC was not an issue in all these cases because claimants had received company disability insurance, sick pay, or other benefits not offsettable as WC; were self-employed and not self-insured for WC; or had not filed for WC within the statute of limitations.

In June 2003, we concluded that knowing the correct status of pending WC cases is important so SSA personnel will not retrieve and analyze cases no longer requiring development. As such, SSA stated it would evaluate and consider any programming issues once it completed its WC study.

Although SSA has not implemented systems enhancements to provide accurate WC status, an official from the Office of the Deputy Commissioner for Operations told us the Agency plans to explore such changes. While we recognize systems enhancements may require significant resources, we believe such changes would prevent personnel from retrieving and analyzing cases that no longer require development. Accordingly, we encourage SSA to commit the necessary resources to identify systems enhancements that would detect situations in which WC is not actually pending.

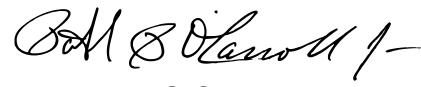
CONCLUSION

We acknowledge actions taken to recover the 10 Title II disability overpayments we identified in our prior report and commend the Agency for studying its pending WC workload. We recognize that following up on the status of WC claims and related payments can be time-consuming and require significant resources. However, we believe SSA has a stewardship responsibility to ensure it properly pays beneficiaries, thus avoiding overpayments.

If SSA does not take steps to effectively manage its pending WC workload, it will continue to build a significant backlog of pending WC cases and pay millions of dollars in Title II disability overpayments. Accordingly, we encourage the Agency to implement the recommendations we made in our June 2003 report. Specifically, SSA needs to (1) follow through with steps to reduce its backlog of Title II disability cases having pending WC claims, (2) develop and implement an automated process to ensure the Agency systematically and routinely follows up on new pending WC cases, and (3) explore systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.

AGENCY COMMENTS AND OIG RESPONSE

SSA agreed with the findings and conclusions presented in the report as well as the remaining recommendations from our June 2003 report. The full text of SSA's comments is included in Appendix A.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Agency Comments

APPENDIX B – OIG Contacts and Staff Acknowledgments

Appendix A

Agency Comments



SOCIAL SECURITY

MEMORANDUM

35021-24-1387

Date: August 29, 2005 **Refer To:** S1J-3

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

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report, "Follow-up of Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments" (A-08-05-25132) -- INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

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

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "FOLLOW-UP OF PENDING WORKERS' COMPENSATION: THE SOCIAL SECURITY ADMINISTRATION CAN PREVENT MILLIONS IN TITLE II DISABILITY OVERPAYMENTS" (A-08-05-25132)

Thank you for the opportunity to review and comment on the draft report. We are pleased that the report acknowledges the actions taken by the Agency in response to the June 2003 report, specifically, that we resolved the ten overpayments noted in that report and that we initiated an internal study of pending Workers' Compensation (WC) issues. We agree with the findings and conclusions presented in the report as well as the recommendations, which remain the same as in the previous report. Accordingly, our response remains the same given that our available resources are unchanged.

Our specific responses to this report's recommendations are provided below.

Recommendation 1

Follow through with steps to reduce its backlog of Title II disability cases having pending WC claims.

Response

We agree. We will continue to pursue this initiative to the extent possible. However, our available resources are limited and prioritized, thereby placing restraints on our ability to undertake additional efforts.

Recommendation 2

Develop and implement an automated process to ensure the Agency systematically and routinely follows up on new pending WC cases.

Response

See response to Recommendation 1.

Recommendation 3

Explore systems enhancements that would detect situations in which WC is not applicable to prevent personnel from retrieving and analyzing cases that no longer require development.

Response

We agree. We have submitted a proposal to the Information Technology Advisory Board (ITAB) to set up a computer matching agreement with the Center for Medicare and Medicaid Services to match their Common Working File (CWF) with information in our Master Beneficiary Record on pending WC alert cases. (The ITAB is an inter-component Agency

advisory board that evaluates systems projects and priorities and determines which ones can be accomplished with the Agency's limited resources.) The CWF contains information about WC involvement after 2 years of disability entitlement and could be used to help us clear our pending WC alert cases. To date, the ITAB has not approved the proposal. The proposal will be discussed for possible inclusion in fiscal year 2007.

Appendix B

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director, (205) 801-1605

Jeff Pounds, Audit Manager, (205) 801-1606

Acknowledgments

In addition to those named above:

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