
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**SOCIAL SECURITY
ADMINISTRATION
EMPLOYEES RECEIVING
BENEFITS**

December 2007

A-01-07-27116

AUDIT REPORT



Mission

By conducting independent and objective audits, evaluations and investigations, we inspire public confidence in the integrity and security of SSA's programs and operations and protect them against fraud, waste and abuse. We provide timely, useful and reliable information and advice to Administration officials, Congress and the public.

Authority

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:

- **Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- **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.**

To ensure objectivity, the IG Act empowers the IG with:

- **Independence to determine what reviews to perform.**
- **Access to all information necessary for the reviews.**
- **Authority to publish findings and recommendations based on the reviews.**

Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.



SOCIAL SECURITY

MEMORANDUM

Date: December 12, 2007

Refer To:

To: The Commissioner

From: Inspector General

Subject: Social Security Administration Employees Receiving Benefits (A-01-07-27116)

OBJECTIVE

The objective of our review was to identify and prevent employees of the Social Security Administration (SSA) from receiving Old-Age, Survivors and Disability Insurance (OASDI) benefits or Supplemental Security Income (SSI) payments inappropriately because of their earnings.

BACKGROUND

SSA has over 65,000 employees who administer the OASDI and SSI programs. The OASDI program provides benefit payments to qualified retired and disabled workers and their dependents as well as to survivors of insured workers.¹ The SSI program provides a minimum level of income to financially needy individuals who are aged, blind or disabled.²

DISABILITY BENEFICIARIES WITH EARNINGS

An individual is disabled under Social Security's regulations if he or she is unable to engage in any substantial gainful activity (SGA) by reason of any medically determinable physical or mental impairment that (1) can be expected to result in death or (2) has lasted (or can be expected to last) for a continuous period of not less than 12 months.³

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

² The Social Security Act § 1601, *et seq.*, as amended, 42 U.S.C. § 1381, *et seq.*

³ The Social Security Act §§ 223(d)(1) and 1614(a)(3), 42 U.S.C. §§ 423(d)(1) and 1382c(a)(3).

SGA is defined as work activity that involves significant physical or mental activities performed for pay or profit.⁴ SSA has established earnings guidelines as a basis for determining whether an individual is engaged in SGA, and average monthly earnings above the guidelines may indicate the ability to engage in SGA.⁵ Because an individual's entitlement to disability benefits is based on the determination that he or she cannot engage in SGA, SSA must perform a continuing disability review when earnings reported to the Agency indicate the beneficiary has returned to work at the SGA level.⁶

RETIREMENT BENEFICIARIES WITH EARNINGS

The Social Security Act requires the Agency to reduce benefits for beneficiaries below the full retirement age, based on their earnings.⁷ SSA calculates the reduction in benefits for earnings above the annual exempt amount.⁸

SSI RECIPIENTS WITH EARNINGS

SSI is a means-tested program, and the amount of income is one of the criteria for determining eligibility and the amount of payments. Generally, the more income a recipient receives, the lower his or her SSI payment will be.⁹ SSA relies heavily on recipient self-disclosure of all financial resources, as well as computer matching with other Federal and State agencies, to ensure payment accuracy.¹⁰

⁴ 20 C.F.R. §§ 404.1572 and 416.972.

⁵ SSA, Program Operations Manual System (POMS), DI 10501.015. As of 2007, "Countable earnings" of employees indicate SGA if the amount averages more than \$900 per month for non-blind individuals or \$1,500 for blind individuals.

⁶ 20 C.F.R. §§ 404.1590(b)(5) and 416.990(b)(5). In our July 2004 report, *Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File* (A-01-03-13019), we estimated that SSA overpaid \$1.37 billion to about 63,000 disabled beneficiaries because the Agency did not evaluate all earnings reported for these individuals.

⁷ The Social Security Act § 203(b)(1), 42 U.S.C. § 403(b)(1).

⁸ SSA, POMS, RS 02501.021-.025. For early retirement beneficiaries who will not reach full retirement age in the current calendar year, SSA reduces benefits by \$1 for every \$2 in earnings over the annual exempt amount—\$12,480 in 2006 and \$12,960 in 2007. For early retirement beneficiaries who reach full retirement age in the current calendar year, the reduction is \$1 for every \$3 in earnings over the annual exempt amount—\$33,240 in 2006 and \$34,440 in 2007.

⁹ The Social Security Act §§ 1602 and 1611, 42 U.S.C. §§ 1381a and 1382.

¹⁰ In our April 2005 report, *Disabled SSI Recipients with Earnings* (A-01-04-14085), we estimated that SSA overpaid \$12.4 million to about 11,880 disabled SSI recipients because the Agency did not evaluate all earnings reported for these individuals.

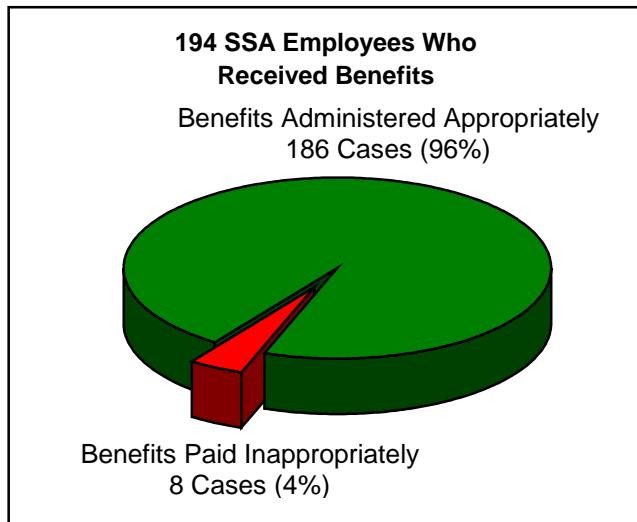
METHODOLOGY

To perform this review, we matched the Agency's employee data against a file of OASDI beneficiaries and SSI recipients and identified 194 employees—174 who received OASDI benefits and 20 who received SSI payments.¹¹ We analyzed the match and reviewed benefit applications and records, disability data, earnings records and work activity review data to determine whether the individuals were still working and if the benefits were paid appropriately. (See Appendix B for additional information on scope and methodology.)

RESULTS OF REVIEW

Overall, SSA ensured that employees who are also entitled to OASDI or SSI are paid the appropriate benefits. However, we identified 8 employees (out of 194 who received benefits) who were overpaid \$245,311 in OASDI benefits because of their earnings.¹² By stopping these benefits, the Agency will save \$124,176 over the next 12 months.

We referred these eight employees to our Office of Investigations (OI) for criminal investigation. As of November 2007, three of these eight cases were with the United States (U.S.) Attorney's Office or the District Attorney's Office for prosecution due to possible fraud. For another three cases, the U.S. Attorney's Office declined to prosecute the cases and they were being handled by SSA administratively. Also, in the remaining two cases, SSA was taking administrative action.



BENEFITS PAID INAPPROPRIATELY

SSA paid \$245,311 in OASDI benefits inappropriately to eight employees because of their earnings:

- A woman, currently age 48, began receiving disability benefits in 1995 due to blindness. She returned to work in 1997 and began working for SSA in 2002, earning more than allowed under SGA guidelines to keep receiving disability

¹¹ In our September 2002 report, *SSA Employees with Title XVI Overpayment Write-Offs* (A-04-99-64005), we recommended the Agency match its employee file against Title II and Title XVI benefit records to identify individuals qualified for benefits while employed with SSA.

¹² These employees were overpaid from 8 to 66 months.

benefits. At least four reviews of work activity were initiated by SSA due to postings on the Master Earnings File, but none of these were developed until our review. As a result of our audit, SSA determined that her disability benefits should have stopped in March 2002 and assessed an overpayment of \$57,195 plus an additional \$1,977 for another beneficiary receiving benefits on her record. OI presented the case to the District Attorney's Office in the jurisdiction where she lives. On June 20, 2007, the District Attorney's Office accepted the case for prosecution and mailed a plea agreement letter to her attorney on September 24, 2007. As of November 2007, pre-indictment plea negotiations were underway.

- A man, currently age 41, has received disability benefits since 1994 due to a spinal cord injury, and he began working for SSA in 2005. At our request, SSA determined that his benefits should have stopped in September 2006 and assessed an overpayment of \$16,471 for this beneficiary and \$9,631 for three other beneficiaries on his record. OI presented this case to the U.S. Attorney's Office for prosecution on June 6, 2007; and a meeting was held on November 15, 2007 regarding the decision to prosecute the beneficiary.
- A woman, currently age 47, has worked for SSA since 1995. In 2001, she applied for survivor's benefits for herself and her child. The child's benefits were approved, but the woman was not initially paid due to her income level. In 2006, the woman's benefits were paid, and her benefit checks were deposited into the same bank account as her child. However, she failed to notify SSA that she was still employed, and when interviewed, she denied getting benefits or having any knowledge of what may have caused them to start. She also provided a copy of her income tax returns for 2006, which showed the SSA benefits were not reported. After our review identified this case, the Agency determined she should have never received benefits because of her earnings and assessed an overpayment of \$15,667—which she repaid in June 2007. OI presented this case to the U.S. Attorney's Office for prosecution on July 3, 2007. However, the U.S. Attorney's Office declined to prosecute; and as of November 2007, SSA was continuing to work with OI to handle the case administratively.
- A man, currently age 48, received disability benefits since 1997 due to back problems. He returned to work in 2001 and began working for SSA in 2004. A medical continuing disability review was initiated in 2000, but the case was not developed even though 24 follow-up alerts were issued. A work continuing disability review was initiated in 2004 but was not developed until our inquiry to SSA in December 2006. At our request, SSA determined that his benefits should have stopped in December 2002 and assessed an overpayment of \$61,995—which he began repaying in August 2007. The U.S. Attorney's Office declined to prosecute this case, but SSA was taking administrative action.
- A man, currently age 38, has received disability benefits since 2004 due to a herniated disc and began working for SSA the same year. Soon after we referred this employee for investigation, he called the SSA Field Office to have his disability checks stopped. He said that he had been working for his family for a couple of months but would not give any details as to the dates of employment or

the name of the employer. SSA determined he was never eligible for benefits and assessed an overpayment of \$42,771. As of November 2007, the case was accepted by the U.S. Attorney's Office for prosecution.

- A woman, currently age 31, has worked for SSA since 1995. She became eligible for mother's benefits (a type of survivors benefit not related to disability) in 2000 and filed Annual Earnings Reports in 2000 and 2001. Her benefits had not been adjusted since then because she did not report her earnings. SSA's systems detected the earnings and issued alerts in 2002, 2003, 2004 and 2005. SSA's Office of Quality Performance selected the case for review each year but never acted on the alerts. As a result of our audit, the Agency determined that her benefits should have stopped in January 2005 and assessed an overpayment of \$31,722. The U.S. Attorney's Office declined to prosecute this case, but SSA was taking administrative action.
- A man, currently age 64, applied for early retirement benefits in 2005 when he reached age 62. He began working for the Agency in 1983 and continued to work full time after receiving his early retirement benefits. In 2006, he earned almost \$126,000 from SSA and \$3,000 from other sources—well in excess of the annual exempt amount to be eligible for full early retirement benefits. His benefits should have been reduced to \$0 once his earnings reached \$28,200. Upon our referral, the Agency determined that he was never eligible for benefits and assessed an overpayment of \$7,882, which he began repaying in October 2007.
- A man, currently age 48, began working for SSA in 2001. He stopped working in November 2002 due to a stroke and began receiving disability benefits in May 2003. However, he resumed working for the Agency in 2003. Between 2003 and 2005, he received \$54,349 in disability benefits while working for SSA. He stopped cashing his benefit checks in January 2006, but his Medicare premiums continued to be paid by SSA. In 2006, he earned almost \$93,000. Due to our identification of this case, the Agency stopped his benefit payments in March 2007. The case is being handled administratively by SSA's Center for Security and Integrity.

BENEFITS ADMINISTERED APPROPRIATELY

SSA administered benefit payments appropriately for 186 employees.

- 20 employees received SSI payments appropriately:
 - 19 employees received SSI payments appropriately because the payments were adjusted to reflect their earnings;¹³ and
 - 1 employee actually stopped working before receiving benefits.
- 166 employees received OASDI benefits appropriately:

¹³ Additionally, 3 of the 20 employees receiving SSI payments were participating in a work incentive program under the *Ticket to Work and Work Incentives Improvement Act of 1999*, Pub. L. No. 106-170 § 1148, 42 U.S.C. § 1320b-19. This program allows disability beneficiaries and disabled or blind SSI recipients to seek the employment services, vocational rehabilitation services, or other support services needed to obtain, regain, or maintain employment and reduce their dependence on cash benefit programs.

- 108 employees were ages 62 to full retirement age and received early retirement or survivors benefits. These 108 individuals reported their earnings to SSA, and their benefits were adjusted accordingly;
- 14 employees actually stopped working before receiving benefits;
- 43 employees' work activity was already being reviewed by the Agency; and
- 1 employee recently began working for SSA, but her survivor's benefits will end this year when she becomes 18 years old.

CONCLUSION

All OASDI beneficiaries under full retirement age and all SSI recipients should report their earnings and work activity to SSA. SSA generally paid benefits correctly to its employees who were entitled to them but improperly paid OASDI benefits to eight employees identified during our review. Ensuring that all employees receiving benefits report changes in their situation that impact their eligibility or benefit amounts—including earnings—demonstrates SSA's ability to lead by example. This supports the Agency's strategic goal to prevent payment error and fraud.

SSA took prompt action to stop the improper payments and worked with the OI investigators on the potential fraud cases as soon as the Office of the Inspector General made the Agency aware of them. As a result, we are not making any recommendations for further action.

AGENCY COMMENTS

SSA stated they have taken the necessary corrective actions and will continue with their efforts to detect and prevent fraudulent and improper payments. See Appendix C for the full text of SSA's comments.



Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Agency Comments

APPENDIX D – OIG Contacts and Staff Acknowledgements

Appendix A

Acronyms

C.F.R.	Code of Federal Regulations
OASDI	Old-Age, Survivors and Disability Insurance
OI	Office of Investigations
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.	United States
U.S.C.	United State Code

Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable sections of the Social Security Act, Public Laws, the Code of Federal Regulations and Social Security Administration (SSA) policies and procedures.
- Matched SSA employee data against Master Beneficiary Records and Supplemental Security Records to identify employees who were receiving Old-Age, Survivors and Disability Insurance (OASDI) benefits or Supplemental Security Income (SSI) payments.¹
 - Determined whether the individuals in the match were still employed by the Agency.
 - Reviewed benefit applications and records, disability data, earnings records and work activity investigation data for employees to determine whether they were paid appropriately.
 - Referred employees who may have received benefits inappropriately to the Office of Investigations for criminal investigation. The investigators worked with SSA staff to determine whether the employees were still working and whether their benefits were paid appropriately.
 - Calculated future savings for cases in which SSA stopped benefits because of our review by multiplying the last monthly benefit by 12 months.

We conducted our audit between December 2006 and September 2007 in Boston, Massachusetts. We found the data used for this audit were sufficiently reliable to meet our audit objective. The entities audited were the Offices of Employment Support Programs and Disability Programs, under the Deputy Commissioner for Disability and Income Security Programs, and SSA Field Offices and Program Service Center staff, under the Deputy Commissioner for Operations. We conducted our audit in accordance with generally accepted government auditing standards.

¹ Initially, we used a 2004 SSA employee data file to identify employees receiving OASDI or SSI benefits in October 2006. We later obtained an updated employee data file—as of January 2007—and matched it to identify additional employees who were receiving OASDI or SSI benefits as of April 2007.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date:

Refer To: S1J-3

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

From: Larry W. Dye /s/

Subject: Office of the Inspector General (OIG) Draft Report, "Social Security Administration Employees Receiving Benefits" (A-01-07-27116)--INFORMATION

We appreciate OIG's efforts in conducting this review, and thank you for the opportunity to review and comment on this draft report. As the report indicates, we generally paid benefits correctly to our employees who were entitled to them, but improperly paid Old-Age, Survivors or Disability Insurance benefits to eight employees identified in your review. We have taken the necessary corrective actions and will continue with our efforts to detect and prevent fraudulent and improper payments.

Please let me know if we can be of further assistance. Staff inquiries may be directed to Ms. Candace Skurnik, Director, Audit Management and Liaison Staff, at 410 965-4636.

Appendix D

OIG Contacts and Staff Acknowledgements

OIG Contacts

Judith Oliveira, Director, Boston Audit Division, (617) 565-1765

David Mazzola, Audit Manager, (617) 565-1807

Acknowledgments

In addition to those named above:

Phillip Hanvy, Senior Program Analyst

For additional copies of this report, please visit our web site at
www.socialsecurity.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-01-07-27116.

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Office of Audit

OA conducts and/or supervises financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management and program evaluations and projects on issues of concern to SSA, Congress, and the general public.

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OI conducts and coordinates investigative activity related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as OIG liaison to the Department of Justice on all matters relating to the investigations of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

Office of the Chief Counsel to the Inspector General

OCCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Finally, OCCIG administers the Civil Monetary Penalty program.

Office of Resource Management

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