
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ACCURACY OF
TITLE II DISABILITY INSURANCE
BENEFIT TRIENNIAL
REDETERMINATIONS FOR 2006**

September 2008

A-04-07-17078

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: September 9, 2008 **Refer To:**

To: The Commissioner

From: Inspector General

Subject: Accuracy of Title II Disability Insurance Benefit Triennial Redeterminations for 2006
(A-04-07-17078)

OBJECTIVE

Our objective was to determine the accuracy of Title II triennial redeterminations required in 2006.

BACKGROUND

The Social Security Administration (SSA) administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*, as amended (Act).¹ Section 223 of the Act² requires that SSA provide monthly Disability Insurance (DI) benefits to individuals who meet specific disability requirements.

Workers injured on the job may qualify for DI benefits in addition to benefits under Federal and State workers' compensation (WC) programs. However, combined DI and WC benefits could result in workers receiving more in disability payments than they earned before they became disabled. To prevent this, Congress enacted the WC offset provision under section 224 of the Act,³ which requires that SSA adjust DI benefits based on an offset formula set forth in that provision of the Act.

While SSA adjusts DI benefits based on an offset calculation, to protect DI beneficiaries with a continuous WC offset against inflation, SSA is required to re-compute the

¹ 42 U.S.C. §§ 401 and 423.

² 42 U.S.C. § 423.

³ 42 U.S.C. § 424a.

beneficiary's average current earnings (ACE) on a triennial basis.⁴ This recalculation is known as a triennial redetermination (REDET).⁵ A REDET may result in increased benefits because the ACE—a component of the offset calculation—is recalculated using a ratio adjusted for inflation.

Each year, SSA identifies DI cases that qualify for a possible REDET. These cases become part of SSA's program service centers' (PSC) annual workload. According to SSA policy, when a beneficiary's DI benefits are in continuous WC offset, a REDET is required in the third year after offset was first imposed (or reimposed, if there was a break in offset), and in each third year thereafter.⁶ If the completed REDET increases the individual's DI benefits, it is effective in January of the REDET year.⁷ To illustrate, if a beneficiary had a continuous monthly WC offset from November 2000 through February 2006, the beneficiary would be due a REDET in 2003 and again in 2006. However, if the beneficiary experienced a change in WC benefit amount that caused the WC offset to end (full DI benefits paid) between June and August 2002, a new REDET period would be established beginning in August 2002—the month the WC offset resumed. The beneficiary would not be due a REDET until 2005.

SSA's Office of Systems (Systems) distributes a list of DI claims requiring a REDET to each PSC every year. The PSCs are then responsible for producing a REDET alert⁸ for each claim identified by Systems and loading those alerts into the Processing Center Action Control System (PCACS). The alerts are stored in PCACS until the PSC managers release them to staff for processing. Generally, by November of each year, PSC managers have released all REDET alerts for processing. If a completed REDET results in more benefits due to a beneficiary, SSA retroactively adjusts benefits to the beginning of the calendar year and pays the past due benefits.

⁴ The Social Security Act § 224(f)(1), 42 U.S.C. § 424a(f)(1) and Program Operations Manual System (POMS), DI 52001.570.B.1. This POMS provision states that "Each case in which there is an actual reduction due to WC/PDB [public disability benefit] offset will be recomputed under the redet provision in the third year following the year offset is imposed (or reimposed, if there was a break in offset) and in each third year thereafter. However, the first redet may be considered when less than 3 full years have passed. For example, in the case of any record on which continuous offset began in 1995, regardless of the month, the worker will be eligible for a redet in 1998."

⁵ POMS, DI 52001.570.

⁶ POMS, DI 52001.570.B.1.

⁷ POMS, DI 52001.570.B.2.

⁸ An alert is an electronic message notifying staff that an action is required on a specific claim.

SCOPE AND METHODOLOGY

In 2006, SSA identified 36,177 DI claims that required a REDET. As of June 30, 2007, SSA had completed 21,976 REDETs, from which we selected a random sample of 250 DI claims for review. To determine whether the REDETs were accurate, we

- reviewed all available documentation for independent proof of current WC rates,
- calculated the WC offset based on the current proven WC benefits data,
- compared the total benefits paid to the total benefits owed, and
- obtained SSA's review and comments for each payment error.

For 16 claims, we determined payment errors continued after August 31, 2007. During our audit, we informed SSA of the errors. SSA agreed to correct the offset calculation and adjust the DI benefits as needed. These errors would likely have continued had we not identified them or a significant event occurred that would have caused SSA to review the claims. Therefore, we estimated the number of claims and the total amount of the payment error that may have continued for 12 months after our audit period. Further information regarding our scope and methodology as well as our sampling methodology is in Appendices C and D.

RESULTS OF REVIEW

SSA did not always accurately process and calculate the 2006 REDETs in our sample. In total, 24 (9.6 percent) of the 250 sampled DI claims we reviewed had payment errors. Of the 24 claims, 19 had payment errors totaling \$219,610 *related* to the WC offset calculation. Based on this error rate, for the 21,976 REDETs in our population, we estimate approximately 1,670 DI claims totaling about \$19.3 million had payment errors related to the WC offset calculation. The five remaining claims, totaling \$53,320, had DI processing errors *unrelated* to the WC offset calculation.

Also, 16 of the 24 REDET claims had payment errors that continued after August 31, 2007. Fourteen of these errors were related to the WC offset calculation, and the remaining two were unrelated to this calculation. Based on the number of continuing errors, we estimate that for the 12 months following our audit period, approximately 1,406 claims had payment errors totaling about \$4.8 million.

SSA's controls for monitoring the accuracy and completion of REDETs could be improved. Also, Agency personnel did not always document current WC benefits being paid to the individual under Federal or State WC programs. Specifically, we could not locate evidence that Agency personnel had obtained verification of current WC benefits for 81 (32.4 percent) of the 250 sampled REDETs. Such information is necessary to accurately complete a REDET. At our request, SSA obtained current WC evidence for

28 of the 81 claims during our audit.⁹ However, as of the conclusion of our audit fieldwork, 53 claims still lacked current WC evidence. Without such evidence, we were unable to test the accuracy of DI benefits paid after the REDET for these claims.

Further, for 35 of these 53 claims without current WC evidence, we could not find evidence that SSA completed the REDET. Specifically, for these claims, the Master Beneficiary Records (MBR)¹⁰ did not reflect a January 2006 recomputed ACE and were not annotated to indicate the 2006 REDET was completed. Because we were unable to determine the payment accuracy for 53 of the 250 sampled claims, we believe the estimated payment errors may be conservative.

We determined that most of the payment errors resulted from human error. For example, SSA personnel misinterpreted or incorrectly applied the amount of WC payments to the offset calculation. Further, in some instances, SSA personnel calculated the offset amount correctly but made errors when processing the claims. In a previous report, we recommended that SSA explore all possible avenues, including legislation, to simplify and automate this process. Based on the continuing payment error rate and complexity of these claims, we continue to support these recommendations.

Additionally, SSA could improve its controls over the development and monitoring of the REDET workload. SSA does not maintain a record of the specific REDETs identified by Systems that should be processed. SSA also does not ensure that all REDETs are properly included in each PSC's annual workload and that PSCs complete the work they are assigned.

PROCESSING MISTAKES RELATED TO THE WC OFFSET CALCULATION RESULTED IN PAYMENT ERRORS

We determined 19 (7.6 percent) of the 250 sampled REDET claims had payment errors related to mistakes in processing the WC offset calculations. The payment errors for these 19 claims totaled \$219,610: 15 errors resulting in \$139,310 in underpayments and 4 errors resulting in \$80,299 in overpayments (Table 1). Further, 14 of the 19 payment errors continued past our audit period. For these 14 claims, the monthly payment errors that continued past August 2007 totaled \$4,284 (Table 2).

⁹ SSA was able to locate current WC information from various States via their on-line services that was previously not on file.

¹⁰ SSA establishes an MBR for each DI claimant. The MBR maintains pertinent information needed to accurately pay benefits to the claimant and all entitled dependents. The information maintained includes identification data (name, Social Security number, date of birth, address), earnings history, type and date of disability, monthly DI benefit amounts, and the reason for terminating or suspending benefit payments. Thus, any change in a claimant's or dependent's situation must be reflected on the MBR to ensure its integrity and the accuracy of benefit payments.

In general, we determined the payment errors occurred because SSA personnel

- improperly prorated lump sum WC settlements,¹¹
- incorrectly applied WC rates when performing the WC calculation, and/or
- did not apply a REDET.

At the time of our review, SSA was still paying 14 of the 19 claims in error. Ten had continuing underpayments that ranged from \$25 to \$696 per month, and four had continuing overpayments that ranged from \$141 to \$431 per month. Had we not identified the payment errors, the beneficiaries would likely have continued to be paid in error until a significant life event occurred that would have caused SSA to reevaluate the claims. Table 1 identifies the payment errors directly related to mistakes in processing the WC offset. Table 2 identifies the payment errors that would have continued after August 2007.

Table 1: Processing Errors Related to the WC Offset Calculation

| | Error Description | Number of Payment Errors ¹ | Payment Error Dollars | | |
|---|---|---------------------------------------|-----------------------|----------------|----------------------|
| | | | Over-Payments | Under-Payments | Total Payment Errors |
| 1 | Lump Sum Settlement Input Incorrectly | 8(5) | -- | \$68,183 | \$68,183 |
| 2 | Incorrect WC Data (amount and/or frequency) Applied | 5(4) | \$27,672 | \$17,826 | \$45,498 |
| 3 | REDET Not Performed | 2(1) | -- | \$3,060 | \$3,060 |
| 4 | SSA Did Not Account for a Second WC Claim | 1(1) | \$48,664 | -- | \$48,664 |
| 5 | SSA Continued to Impose WC Offset After the Numberholder's WC Benefits Ceased | 1(1) | -- | \$14,626 | \$14,626 |
| 6 | WC Attorney Fee Applied Incorrectly | 1(1) | \$3,963 | -- | \$3,963 |
| 7 | WC Offset Imposed Based on Non-WC Benefits | 1(1) | -- | \$35,616 | \$35,616 |
| | Totals | 19 | \$80,299 | \$139,311 | \$219,610 |

1. The numbers in () indicate the number of payment errors that also had a continuing payment error. These cases are detailed below in Table 2.

¹¹ A lump-sum settlement represents all the remaining WC payments due the disabled worker. The lump-sum award must be prorated to determine the amount and length of time to offset the beneficiary's DI benefits.

**Table 2: Processing Errors Related to the WC Offset Calculation—
with Continuing Payment Errors**

| | Error Description | Number of Continuing Payment Errors | Total Dollar Payment Error For September 2007 |
|---|---|--|---|
| 1 | Lump Sum Settlement Input Incorrectly | 5 | \$1,215 |
| 2 | Incorrect WC Data (amount and/or frequency) Applied | 4 | \$1,621 |
| 3 | REDET Not Performed | 1 | \$135 |
| 4 | SSA Did Not Account For a Second WC Claim | 1 | \$141 |
| 5 | SSA Continued To Impose WC Offset After the Numberholder's WC Benefits Ceased | 1 | \$320 |
| 6 | WC Attorney Fee Applied Incorrectly | 1 | \$216 |
| 7 | WC Offset Imposed Based On Non-WC Benefits | 1 | \$636 |
| | Totals | 14 | \$4,284 |

For a period of almost 13 years, SSA overpaid one beneficiary and his three children \$48,664 because personnel incorrectly applied WC data received from the insurance carrier. In this case, the DI beneficiary was paid on two WC claims concurrently—both claims were paid on a monthly basis. However, SSA did not include the second WC claim in the computation. At the time of our review, one of the beneficiary's children continued to be overpaid \$141 each month. The remaining two children had reached age 18 and were no longer receiving benefit payments.

In another example, we identified a \$12,960 underpayment. The underpayment occurred because SSA used the incorrect WC rate to prorate the lump-sum settlement. SSA prorated the beneficiary's lump-sum settlement using a weekly rate of \$249.55. However, the settlement specified a weekly rate of \$71.56. As a result, SSA offset the DI benefits at a higher rate. The error also caused a continuing monthly underpayment of \$341.

Our previous reviews found similar instances in which staff processed the WC offset incorrectly, which resulted in payment errors (see Appendix B). Staff is not required to review previous WC offset computations while processing a REDET. As a result, WC processing mistakes made before a REDET may not be identified and corrected during the REDET. For example, when the WC offset involves a lump-sum settlement, staff is not required to review the lump-sum settlement documentation when processing a REDET. Instead, staff processes the REDET with information input during the prior WC offset calculation.

We understand that interpreting the myriad of State WC benefits data may be difficult for SSA personnel processing a WC claim. Although most States maintain information regarding the status of WC claims, detailed settlement and benefit payment information is usually maintained by the employer's insurance carrier. The insurance carrier's WC information is often only available to SSA in paper record and the format varies by insurance carrier. Further, obtaining hard copy WC data from a multitude of insurance carriers can be tedious, and the timely receipt of information depends on the responsiveness of the insurance carriers. In our November 2006 report, *Title II Disability Insurance Benefits with a Workers' Compensation Offset* (A-04-05-15133), we recommended that SSA explore alternate methods for obtaining, standardizing and applying State WC information. Given the complexity of this process and the continuing payment error rate in claims involving a WC offset, we continue to support these recommendations and believe that, until such action is taken, payment errors related to the WC offset will continue to occur.

PROCESSING MISTAKES NOT RELATED TO THE WC OFFSET CALCULATION RESULTED IN PAYMENT ERRORS

Five of the 250 (2 percent) sampled REDET claims had payment errors unrelated to the WC offset calculation. The payment errors for the five claims totaled \$53,320: two cases resulting in \$19,063 in underpayments and three cases resulting in \$34,257 in overpayments. Of the five payment errors, two continued beyond our audit period. For these two claims, the monthly payment errors that continued past August 2007 were \$124 and \$100.

SSA's automated systems typically process monthly DI payments. However, when SSA's automated or direct input systems cannot completely process an action, authorized technicians at SSA's PSCs must manually process the action. For example, authorized PSC employees may process actions that include initiating payment of DI benefits, disbursing attorney fees from benefit payments, recording overpayments, terminating benefits, and updating or correcting information on the MBR (which may alter the monthly benefit amount).

Some examples of the processing mistakes we identified follow.

- Benefits paid to the beneficiary did not agree with the amount of benefits due.
- The attorney fee was paid, but the fee was not offset against the benefit payment issued to the beneficiary.

Table 3 details the payment errors caused by processing mistakes that were not related to the WC offset calculation. Table 4 identifies payment errors unrelated to the WC offset that continued after August 2007.

Table 3: Processing Errors NOT Related to the WC Offset Calculation

| | Error Description | Number of Payment Errors ¹ | Payment Error Dollars | | |
|--------|--|---------------------------------------|-----------------------|----------------|----------------------|
| | | | Over-Payments | Under-Payments | Total Payment Errors |
| 1 | Total Benefits Paid Did Not Agree with Total Benefits Owed | 4(1) | \$24,068 | \$19,063 | \$43,131 |
| 2 | Benefits Not Adjusted for Receipt of Attorney Fees | 1(1) | \$10,189 | \$0 | \$10,189 |
| Totals | | 5 | \$34,257 | \$19,063 | \$53,320 |

1. The numbers shown in () indicate the number of payment errors that also had a continuing payment error. These cases are detailed below in Table 4.

Table 4: Processing Error NOT Related to the WC Offset Calculation-with Continuing Payment Errors

| | Error Description | Number of Continuing Payment Errors | Total Dollar Payment Error For September 2007 |
|---|--|-------------------------------------|---|
| 1 | Total Benefits Paid Did Not Agree with Total Benefits Owed | 1 | \$124 |
| 2 | Benefits Not Adjusted for Receipt of Attorney Fees | 1 | \$100 |
| | Totals | 2 | \$224 |

We determined SSA underpaid one beneficiary \$10,754. We agreed with SSA's WC offset calculation. However, when we compared the total benefits paid to the total benefits owed on the claim, we identified the underpayment error. SSA reviewed the claim and agreed with our analysis.

In another case, SSA overpaid a beneficiary \$10,189. When the DI claim was initially processed, SSA released all past due benefits directly to the beneficiary. Although SSA established a reserve for potential attorney fees, none of the reserved amount was withheld from the initial payment made to the beneficiary. SSA subsequently determined the beneficiary did not owe attorney fees. However, SSA did not recognize that the reserved attorney fees were not withheld from the initial payment and released a second payment to the beneficiary in the amount of the reserve. As a result, the beneficiary was overpaid \$10,189. SSA personnel did not record an overpayment on the beneficiary's MBR until we notified the Agency of the mistake.

CONTROLS FOR PROCESSING REDETS COULD BE IMPROVED

SSA's controls for monitoring the accuracy and completion of REDETs could be improved. Also, SSA did not always document proof of current WC rates used to complete the REDET. Further, we did not find evidence that all REDETs were completed. Specifically, 81 (32.4 percent) of the 250 sampled DI claims lacked independent proof of WC rates. However, during our audit, SSA was able to obtain current WC evidence for 28 of the 81 claims. Accordingly, we used the WC evidence for the 28 claims to test the accuracy of the REDETs. We were unable to test the accuracy of the REDETs for the 53 remaining claims that lacked current WC evidence. Finally, for 35 of these 53 claims, we could not find evidence that SSA completed the REDET.

REDETs Lacked Documentation of Current WC Verification

For 81 (32.4 percent) of the 250 REDET claims, we found no independent proof of the current WC benefits. When processing a REDET, staff is required to obtain current WC evidence, unless the WC evidence on file is younger than 1 year old.¹² The amount of WC benefits paid by a State or an insurance carrier and whether they are paid weekly, bi-weekly, or monthly are critical components of the WC offset calculation. If SSA personnel apply incorrect WC data in the offset calculation, a payment error is likely to occur.

To assist in controlling their workloads, PSCs use the Paperless Processing Center System (Paperless), a document imaging and management system. Paperless stores various types of documents and records—documents that are scanned or faxed into the system and records that are created in the system (such as staff notes, explanations, and calculations). Documents that are scanned or faxed into Paperless are automatically coded for long-term retention and retained for the life of the official claims folder. Records created in Paperless are automatically assigned short-term retention status and are only retained for 120 days.

Officials from SSA's PSCs explained that staff processing REDET claims likely obtained the current WC evidence as required by policy. However, staff may have failed to scan or fax the evidence into Paperless. Also, if the independent proof of current WC rates used in the REDET was a record of contact between staff and the insurance carrier, staff may have failed to change the documents' retention status from short-term to long-term. As a result, the record of contacts providing evidence of the current WC data would have been purged before our audit. While this may explain why the WC evidence was missing, we remain concerned that almost 33 percent of our sample was lacking WC evidence at the time of our audit. We believe management should improve the controls to ensure SSA staff properly obtain and store WC evidence in Paperless.

¹² POMS, DI 52001.570.F.2.

REDETs Lacked Evidence of Completion

For 35 of the 53 (66 percent) REDET claims in which no current WC evidence was available, we also found no evidence the 2006 REDET was completed. Specifically, the MBRs for the 35 beneficiaries were not annotated to indicate whether the 2006 REDET was completed. Additionally, the MBRs did not reflect a 2006 recomputed ACE. When a REDET is completed and does not result in a new (increased) ACE, staff is required to annotate the MBR to indicate that the REDET was not applicable. If the REDET resulted in an increased ACE, staff must manually update the MBR with the new ACE.

SSA's method for controlling the REDET workload in PCACS only provides negative assurance the REDET was completed. That is, when the REDET alert is no longer pending in PCACS, it is presumed to have been completed.¹³ Also, because PCACS does not maintain a history of REDET alerts cleared from the system, PSCs cannot query PCACS to determine when the alert cleared or which claims originally had an alert. Finally, PSCs do not develop detailed management information to monitor whether an *individual* REDET has been completed. As such, for these 35 REDET claims, the PSCs could not provide evidence to show when or if the REDETs were completed.

PSC officials acknowledged that PCACS provides limited information detailing the completion of REDET claims. However, the officials explained that for each claim, all REDET information should be maintained in Paperless. That is, any action or document related to the REDET alert should be stored in Paperless. The officials acknowledged the completeness of this information depends on staff properly entering all information into Paperless. Assuming the Paperless information is complete and accurate, Paperless still only provides a repository for all REDET information, it does not provide information specific to the REDET workload. For example, management cannot query Paperless to generate a report identifying completed REDETs, the completion date, and whether the REDET applied.

To improve control over the processing of REDETs, we believe SSA should develop information that would enable PSC management to readily review the REDET workload. For example the information could identify all claims requiring a REDET, the date in which a REDET was completed, and whether the REDET applied.

¹³ None of our sampled REDET claims had an alert pending in PCACS. Therefore, the REDETs were presumed to have been completed.

CONTROLS OVER THE REDET WORKLOAD COULD BE IMPROVED

PSCs did not maintain the electronic data file (from Systems) that identified the DI claims requiring a REDET. Similarly, Systems did not maintain a copy of the REDET data files sent to each PSC for more than 1 year. As a result, once PSCs complete the REDET workload and alerts are deleted from PCACS, the population of REDETs for a particular year is no longer available. For example, when we asked SSA to identify the 2005 REDET workload, neither Systems nor the PSCs could provide the data because the source data were no longer available. Additionally, we found no standard procedures or system applications to direct PSCs in creating their REDET alerts. Rather, each PSC was responsible for creating its own alerts.

We are concerned that SSA did not have adequate information to determine whether the REDET workload had been properly developed and completed. For example, we found no evidence that officials from the Office of the Deputy Commissioner for Operations (Operations) had a record of the specific REDETs identified by Systems or whether each PSC properly developed the alerts. We believe Operations should implement controls over the development of the REDET workload to ensure all required REDETs have been identified and assigned to PSCs for processing. For example, Operations should maintain a record of all REDET claims identified by Systems and verify that each PSC properly included all REDETs in its annual workload.

CONCLUSION AND RECOMMENDATIONS

SSA did not always accurately process the 2006 REDETs. We found 24 (9.6 percent) of the 250 sampled DI claims had payment errors totaling \$272,930. Most of the errors were related to the WC offset calculation. Also, many claims lacked evidence of current WC rates, which is needed to complete the REDET calculations. Specifically, 81 (32.4 percent) of the 250 DI claims lacked proof of current WC rates. Although SSA obtained current WC documentation for 28 of these claims at our request, we could not test the accuracy of the REDET for the 53 remaining claims. Additionally, we did not find evidence that SSA completed 35 of these 53 REDETs.

SSA's controls for processing REDETs should be improved to ensure proof of current WC rates are documented and records are properly updated to reflect the action resulting from the completed REDET. Moreover, SSA's controls over the development of the REDET workload could be improved to ensure all REDETs have been identified, assigned to PSCs for processing and completed.

Paying correct benefit amounts to injured workers is one of SSA's most important responsibilities. Accordingly, we remain concerned about the extent of payment errors identified during our review. In a November 2006 report, *Title II Disability Insurance Benefits with a Workers' Compensation Offset* (A-04-05-15133), we made three recommendations to help SSA improve the accuracy of the WC offset calculation. SSA indicated it would support legislation to simplify the WC offset calculation, work with States to standardize the format in which WC data is reported, and explore data

exchanges with States that maintain automated WC databases. We continue to support these recommendations and believe that, until such corrective actions are implemented, significant payment errors will continue to occur in WC offset cases. In its response to a draft of this report, the Agency provided a technical comment stating that "SSA continues to support these prior recommendations concerning the improvement of the overall accuracy of the WC offset computation. Further, a legislative proposal to simplify the WC offset computation is included in the President's Fiscal Year 2009 Budget."

Specific to the REDET workload, we recommend that SSA:

1. Issue a reminder to staff that all independent proof of current WC benefits be documented.
2. Improve controls for monitoring the REDET process. For example, develop management information that includes the total number of annual REDETs, how many were completed, when they were completed, and the actions resulting from the REDET.

AGENCY COMMENTS

SSA agreed with our recommendations and stated that it had already implemented several initiatives to address problems identified in the processing of these highly error prone cases. For example, in response to Recommendation 1, SSA stated that it had changed the procedures to require retention of WC evidence in image format, as of September 2007 (after our audit period.) However, the Agency took exception to a statement included in a draft of this report in which we concluded that SSA policy prior to that date required retention of WC verification documentation. In its response, SSA provided an alternate policy, which was contradictory to the one we cited. As such, SSA stated that, during the audit period, personnel were appropriately following procedures.

OIG RESPONSE

We applaud the Agency's efforts to address vulnerabilities identified in processing WC offset cases—and, the REDET workload. We agree with SSA that it had two contradictory policies in place during our audit period, causing confusion as to whether personnel were required to maintain WC verification documentation. We acknowledge that subsequent to our audit period, the Agency alleviated this contradictory policy by mandating that WC evidence be documented. As such, we revised the report accordingly.



Patrick P. O'Carroll, Jr.

Appendices

[**APPENDIX A**](#) – Acronyms

[**APPENDIX B**](#) – Prior Audit Reports

[**APPENDIX C**](#) – Scope and Methodology

[**APPENDIX D**](#) – Sampling Methodology and Results

[**APPENDIX E**](#) – Agency Comments

[**APPENDIX F**](#) – OIG Contacts and Staff Acknowledgments

Appendix A

Acronyms

| | |
|------------|---|
| ACE | Average Current Earnings |
| DI | Disability Insurance |
| MBR | Master Beneficiary Record |
| OIG | Office of the Inspector General |
| Operations | Office of the Deputy Commissioner of Operations |
| Paperless | Paperless Processing Center System |
| PCACS | Processing Center Action Control System |
| POMS | Program Operations Manual System |
| PSC | Program Service Center |
| REDET | Triennial Redetermination |
| SSA | Social Security Administration |
| Systems | Office of Systems |
| U.S.C. | United States Code |
| WC | Workers' Compensation |

Appendix B

Prior Audit Reports

| Social Security Administration, Office of the Inspector General Reports Related to Payment Accuracy in Disability Insurance Claims Involving Workers' Compensation Offsets | | |
|---|---|------------------------|
| Common Identification Number | Report Title | Date Issued |
| A-04-96-61013 | Effects of State Awarded Workers' Compensation Payments on Social Security Benefits | September 1998 |
| A-04-98-62001 | The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases When Workers' Compensation Payments Were Involved | March 2000 |
| A-06-03-13022 | The Social Security Administration's Workers' Compensation Data Match with the State of Texas | April 2003 |
| A-08-02-12064 | Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments | June 2003 |
| A-04-02-21054 | Title II Disability Insurance Benefits with Workers' Compensation Underpayment Errors Exceeding \$70,000 | July 2003 |
| A-04-03-13042 | The Social Security Administration's Clean-up of Title II Disability Insurance Cases with a Workers' Compensation Offset | October 2004 |
| A-06-05-15024 | The Social Security Administration's Match of Disability Insurance Records with Texas Workers' Compensation Payment Data | August 2005 |
| A-08-05-25132 | Follow-up of Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments | September 2005 |
| A-04-05-15042 | Payments Resulting from Disability Insurance Actions Processed via the Social Security Administration's Manual Adjustment, Credit and Award Processes | April 2006 |
| A-14-06-16049 | Implementation of Workers' Compensation in Title II Redesign Release 3 | June 2006 |
| A-04-05-15133 | Title II Disability Insurance Benefits with a Workers' Compensation Offset | November 2006 |

Scope and Methodology

We reviewed a random sample of 250 Disability Insurance (DI) claims from a population of 21,976 claims in which a Triennial Redetermination (REDET) had been completed as of June 30, 2007. In January 2006, the Social Security Administration (SSA) identified 36,177 DI claims that required a REDET. However, as of June 30, 2007, SSA records indicated only 21,976 REDETs had been completed. Our audit only reviewed the completed REDETs.

To accomplish our audit objective, we:

- Interviewed SSA personnel regarding how REDETs are identified, controlled, and processed.
- Reviewed relevant laws and SSA's policies and procedures.
- Reviewed previous reports pertaining to DI claims with a Workers' Compensation (WC) offset.
- Queried SSA's Master Beneficiary Record and Retirement, Survivors, and Disability Insurance Payment History and Worksheet.

For each of the 250 sampled claims, we:

- Obtained SSA's DI case folder and documents maintained in the Paperless Processing Center System and reviewed all relevant documents related to the WC offset.
- Requested SSA obtain WC verification for those claims that lacked current WC and for which SSA had online access to State WC data.
- Completed SSA's Interactive Comps Facility screen to calculate the WC offset and resulting DI benefits.
- Forwarded all material payment error claims to SSA for review and comment.

We did not attempt to perform the WC re-compute tests on the 53 cases that lacked current WC verification.

The SSA entities reviewed were the Offices of the Deputy Commissioners for Retirement and Disability Policy and Operations. The electronic data used for this audit were sufficiently reliable to meet our audit objective. Our tests of internal controls were limited to gaining an understanding of the laws, regulations and policies that govern the processing of DI claims with a WC offset and performing the audit steps identified above. We conducted our audit from July 2007 to April 2008 in Atlanta, Georgia. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards required that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on audit objectives. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Sampling Methodology and Results

Sampling Methodology

We reviewed a random sample of 250 Disability Insurance (DI) claims from a population of 21,976 DI claims with a Workers' Compensation (WC) offset in which the Social Security Administration's (SSA) records indicated a Triennial Redetermination (REDET) had been completed as of June 30, 2007.

We made all projections at the 90-percent confidence level.

Sampling Results

REDET Claims Had Payment Errors Related to the WC Offset Calculation

| REDET Claims with Payment Errors Related to the WC Offset Calculation | |
|--|-------------------------------|
| Attribute Appraisal Projections | |
| Population and Sample Data | Number of Claims |
| Total Population | 21,976 |
| Sample Size | 250 |
| Payment Errors | 19 |
| Projection to Population | Number of Claims |
| Lower Limit | 1,109 |
| Point Estimate | 1,670 |
| Upper Limit | 2,402 |
| Variable Appraisal Projections | |
| Population and Sample Data | Dollar Value of Claims |
| Total REDET Claims With Payment Errors Related to a WC Offset | \$219,610 |
| Projection to Population | Dollar Value of Claims |
| Lower Limit | \$8,597,510 |
| Point Estimate | \$19,304,580 |
| Upper Limit | \$30,011,650 |

Estimation of REDET Claims with Continuing Payment Errors

We determined that 16 claims had payment errors that continued after August 31, 2007. We believe the payment errors would have likely continued had we not identified them or a significant event occurred that would have caused SSA to review the cases. Therefore, we conservatively estimated the payment errors would have continued, on average, for at least 12 months after our audit period. Our estimate was based on two factors:

1. the attribute point estimate of claims with a payment error that continued as of September 2007, and
2. the total case dollar payment error that continued for the following 12-month period.

| <u>Projections of Attribute Appraisals:</u> REDET Cases with Continuing Payment Errors | |
|---|-------------------|
| Attribute Appraisal Projections | |
| Population and Sample Data | # of Cases |
| Total Population | 21,976 |
| Sample Size | 250 |
| Cases With a Continuing Payment Error | 16 |
| Projection to Population | # of Cases |
| Lower Limit | 894 |
| Point Estimate | 1,406 |
| Upper Limit | 2,096 |

| 1-Year Estimate — REDET Cases with Continuing Payment Errors | |
|--|-------------|
| Number of Cases with a Continuing Payment Error | 16 |
| Continuing Payment Errors for 16 Cases as of September 2007 | \$4,508 |
| Estimate of Cases With a Continuing Payment Error in the Population | 1,406 |
| Estimated Continuing Payment Error for September 2007 | \$396,141 |
| Estimated Continuing Payment Error for the Following 12-Month Period | \$4,753,686 |

Appendix E

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: August 22, 2008

Refer To: S1J-3

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

From: David V. Foster /s/
Executive Counselor to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Accuracy of Title II Disability Insurance Benefit Triennial Redeterminations for 2006" (A-04-07-17078)—INFORMATION

We appreciate OIG's efforts in conducting this review. Our response to the report findings and recommendations is attached.

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

Attachment

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, “ACCURACY OF TITLE II DISABILITY INSURANCE BENEFIT TRIENNIAL REDETERMINATIONS FOR 2006” (A-04-07-17078)

Thank you for the opportunity to review and comment on the draft report. We made a commitment to improve the quality of processing actions involving Workers' Compensation (WC) and/or Public Disability Offset. Prior to the beginning of this audit, plans were already underway to implement several initiatives to improve the quality of these cases.

We concur with both recommendations and our responses to them are as follows:

Recommendation 1

Issue a reminder to staff that all independent proof of current WC benefits be documented.

Comment

We agree. The Program Service Centers (PSC) have implemented several initiatives that have been completed or ongoing since 2006 to address the problems identified concerning the processing of these highly error prone WC cases. In late January 2007, the PSCs completed WC refresher training for all claims authorizers. WC verification and maintaining proof was a major topic covered in this training.

As discussed during the exit conference on July 17, 2008, during the period of this audit, technicians were not required to retain evidence of WC/ Public Disability Benefits (PDB). We changed the procedures to require retention of WC/PDB evidence in image format in September 2007, after the audit period. Therefore the statement on page 4 that "contrary to SSA policy in effect when the REDETS were performed, agency personnel did not always document current WC benefits being paid to the individual under Federal or State WC programs" is incorrect. The process in place during the time of the audit is described in GN 00301.286D.4.a. as follows: "Do not use EVID to record WC/PDB proofs. The Interactive Computation Facility (ICF) software creates a sufficient audit trail for evidence of WC/PDB via the WC/PDB database." Footnote 10, which you changed from a Region IX-only reference (DI SF52001.150A) in the discussion draft, to a nationwide provision (DI 52001.150B.1.c.) in the current draft, is still not correct and was not in place at the time of the audit. During the audit period, personnel were appropriately following procedures, as described above.

Recommendation 2

Improve controls for monitoring the triennial redetermination (REDET) process. For example, develop management information that includes the total number of annual REDETSs, how many were completed, when they were completed, and the actions resulting from the REDET.

Comment

We agree. The PSCs made a commitment to conduct quality reviews of 20 percent of the REDET workload, which resulted in significant (12.78 percent) improvement in the accuracy of these cases. To date, we completed 11,274 quality case reviews using the national WC Quality Today web application. This provides a mechanism for PSC1-8 team leaders to conduct uniform weekly random and targeted reviews of cases involving WC/PDB offset. WC quality teams were one of many PSC initiatives aimed at improving accuracy of the WC/PDB workloads; others include PSC refresher WC/PDB training completed in February 2007, the launch of the ICF Resource Page in August 2007, and the upcoming national WC/PDB Resource Page and WC POMS rewrite. These initiatives also addressed the evidence retention issues noted by OIG, with clear procedures now in place to ensure WC/PDB evidence is properly retained in our records.

Our Operations and Systems components will continue to work together to further improve controls for monitoring the REDET process.

[In addition to the information listed above, SSA also provided technical comments which have been addressed, where appropriate, in this report.]

Appendix F

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly Byrd, Audit Director, (205) 801-1650

Frank Nagy, Audit Manager, (404) 562-5552

Acknowledgments

In addition to those named above:

Shane Henley, Auditor

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 Staff Assistant at (410) 965-4518. Refer to Common Identification Number A-04-07-17078.

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