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**OFFICE OF  
THE INSPECTOR GENERAL**

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**SOCIAL SECURITY ADMINISTRATION**

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**DISABLED SUPPLEMENTAL SECURITY  
INCOME RECIPIENTS  
WITH EARNINGS**

April 2005

A-01-04-14085

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**AUDIT REPORT**

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## **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.**

## **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:**

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- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
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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: April 11, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: Disabled Supplemental Security Income Recipients with Earnings (A-01-04-14085)

Our objective was to evaluate whether the Social Security Administration (SSA) considered the earnings of disabled individuals when determining Supplemental Security Income (SSI) eligibility and payment amounts.

### **BACKGROUND**

Title XVI of the Social Security Act established the SSI program in 1972. SSI is a nationwide Federal cash assistance program administered by SSA that provides a minimum level of income to financially needy individuals who are aged, blind or disabled.<sup>1</sup> In Fiscal Year (FY) 2004, SSA paid approximately \$35.2 billion in SSI payments to about 7.1 million recipients.

### **DETECTING AND EVALUATING UNREPORTED EARNINGS**

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. According to SSA, the majority of SSI overpayments result from recipients' failure to report changes in income (such as earnings).<sup>2</sup>

#### **Computer Data Matches**

SSA conducts several computer matches with Federal and State agencies to detect and verify unreported (or underreported) earnings. For example, in 1998, SSA began running quarterly matches against wage data maintained by the Office of Child Support

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<sup>1</sup> The Social Security Act §1601, *et seq.*; 42 U.S.C. §1381, *et seq.* See also 20 C.F.R. § 416.110.

<sup>2</sup> SSA, *Performance Plan for Fiscal Year 2004 and Revised Final Performance Plan for Fiscal Year 2003*, page 38. For additional information about SSA's efforts to identify and prevent overpayments due to earnings, see Appendix B.

Enforcement's National Directory of New Hires database. In addition, SSA compares earnings recorded on its Master Earnings File (MEF) to the earnings used to calculate SSI payments as shown on the Supplemental Security Record (SSR). When significant discrepancies are found from either of these matches, diaries are established to alert Field Office employees to the need for a review based on the match.<sup>3</sup>

## **Redeterminations**

The SSI program requires that individuals' income, resources and living arrangements be assessed on a monthly basis for purposes of determining eligibility and payment amounts. Therefore, SSA conducts redeterminations<sup>4</sup> and limited issue reviews<sup>5</sup> to ensure recipients remain eligible for SSI payments. Scheduled redeterminations are selected annually or once every 6 years, depending on the likelihood of payment error. Unscheduled redeterminations and limited issue reviews are also completed when SSI recipients report—or SSA discovers—certain changes in circumstances that could affect continuing SSI payment amounts (for example, earnings discrepancies identified through computer matches).<sup>6</sup> According to SSA, redeterminations are the Agency's most powerful tools in identifying and preventing SSI overpayments.<sup>7</sup> The Agency processed over 2.2 million periodic redeterminations in FY 2004.

## **Modernized Supplemental Security Income Claims System**

SSA's Modernized Supplemental Security Income Claims System (MSSICS) is the primary data collection and processing system for the SSI program. SSA uses the system to process and document SSI events. Use of the system maintains a permanent and accessible record of a claimant's SSI initial application and any subsequent transactions. For example, when a Field Office employee verifies the earnings of an SSI recipient, the earnings are recorded in MSSICS. For the earnings to be used in the SSI payment calculations, the employee must transmit the information from MSSICS to the SSR.

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<sup>3</sup> SSA's diary alerts result when matches identify earnings discrepancies of at least \$1,000 per year (or \$250 per quarter).

<sup>4</sup> Redeterminations are periodic reviews of the non-medical factors of SSI eligibility (20 C.F.R. § 416.204). SSA's policy requires Field Office employees to resolve discrepancies that may exist between earnings on the MEF and the SSR during redeterminations (SSA, POMS SI 02305.071).

<sup>5</sup> Limited issue reviews are redeterminations that are limited in scope and do not require a full review of eligibility (e.g., when a discrepancy is identified by a computer match). Once the discrepancy is resolved, the limited issue is cleared.

<sup>6</sup> SSA, *Annual Report of the Supplemental Security Income Program*, May 2003, page 82.

<sup>7</sup> SSA, *Performance Plan for Fiscal Year 2004 and Revised Final Performance Plan for Fiscal Year 2003*, page 38.

## ADMINISTRATIVE FINALITY

Administrative finality is the term used by SSA to describe the rules under which the Agency may reopen and revise determinations of eligibility and payment amounts. Under the Agency's rules, determinations may be reopened and revised:<sup>8</sup>

- Within 1 year for any reason;
- Within 2 years for good cause;<sup>9</sup> or
- At any time if fraud or similar fault exists.<sup>10</sup>

When SSA discovers earnings discrepancies for prior years and administrative finality applies, revisions to determinations are limited to the time periods allowed under the rules. Therefore, the Agency only assesses overpayments within the administrative finality time periods unless fraud or similar fault exists. Even though individuals may have had earnings which would have caused SSI ineligibility if detected sooner, SSA does not pursue recovery of payments issued beyond these time periods and it does not record them as overpayments.

## RESULTS OF REVIEW

SSA considered the earnings of most disabled individuals when determining SSI eligibility and payment amounts. However, we identified some overpayments that were previously undetected because not all of the recipients' earnings were considered in the SSI payment calculations. In addition, we identified payments that would have been considered overpayments if SSA discovered and reviewed the earnings within the time periods allowed under the Agency's administrative finality rules.

Based on the results of our sample, we estimate that approximately \$12.4 million was overpaid to about 11,880 recipients because SSA did not previously consider all of their earnings when calculating SSI payment amounts.<sup>11</sup> We also estimate that, if the Agency resolved the earnings discrepancies within the administrative finality periods, approximately an additional \$74.7 million in overpayments to about 61,380 recipients would have been recognized. Finally, we estimate that about \$8.1 million in underpayments to about 11,880 SSI recipients was not paid because administrative finality was invoked and their SSI records were not revised.

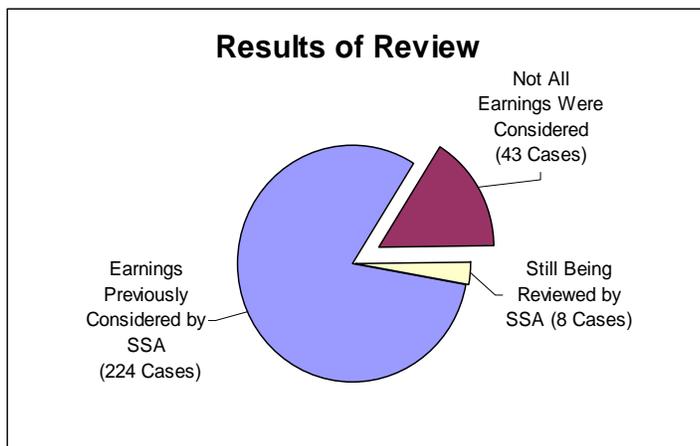
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<sup>8</sup> 20 C.F.R. §§ 416.1487 and 416.1488.

<sup>9</sup> Good cause to reopen a determination exists if new and material evidence is furnished, a clerical error has been made, or there is an error on the face of the evidence (20 C.F.R. § 416.1489).

<sup>10</sup> Fraud exists when any person knowingly, willfully and with intent to defraud makes or causes a false statement to be made or conceals or misrepresents a fact that is material to eligibility or payment amount. Similar fault exists under the same circumstances except intent to defraud is not required.

<sup>11</sup> We are currently conducting a review to quantify the amount of undetected overpayments in SSA's disability programs (A-01-04-24065). We expect to issue our report in FY 2005.



Of the 275 recipients in our sample:

- 43 recipients' earnings were not considered when SSA calculated SSI payment amounts;
- 224 recipients' earnings were properly considered;<sup>12</sup> and
- 8 recipients' earnings continued to be evaluated by SSA as of March 2005.

### EARNINGS NOT CONSIDERED IN SSI PAYMENT CALCULATIONS

Of the 275 SSI recipients in our sample, 43 (16 percent) had earnings recorded on the MEF that were not recorded on the SSR. Of these 43 recipients,

- 6 had undetected overpayments because earnings were not previously developed;<sup>13</sup>
- 37 may have been incorrectly paid, however, the Agency invoked administrative finality and did not review the variances.

### Undetected Overpayments

We identified 6 cases in which earnings were not previously developed and overpayments totaling \$6,272 went undetected by SSA. As a result of our audit, the Agency reviewed the earnings and assessed the overpayments.

For example, earnings recorded on the MEF for one recipient were not reported on the SSR for 2002. Although the earnings were on the MEF, SSA did not review and post the earnings to the SSR. As a result of our audit, the Agency reviewed the earnings and assessed an overpayment of \$1,456.

### Impact of Administrative Finality

SSA invoked administrative finality and did not review the earnings discrepancies for 37 recipients in our sample. This includes 31 recipients whose earnings would likely have caused overpayments totaling about \$37,739 if the Agency reviewed the

<sup>12</sup> We included in this group individuals in our sample whose earnings, although not recorded on the SSR, would not materially impact SSI eligibility (for example, individuals who were already ineligible for SSI for reasons unrelated to their earnings).

<sup>13</sup> SSA went beyond the scope of administrative finality to correct 2 of the 6 cases. We are currently conducting an audit (A-01-04-24024) to assess whether administrative finality is consistently applied in SSI cases. We expect to issue our report in FY 2005.

discrepancies and recorded the earnings to the SSR within the 2-year administrative finality reopening period. This also includes 6 individuals whose actual earnings were less than the estimated earnings previously used in the SSI calculations. Additional SSI payments (totaling about \$4,104) may have been due these 6 individuals if not for administrative finality.

For example, the earnings recorded on the MEF for one individual in our sample exceeded the amounts used to calculate the SSI payments that were issued in 1998, 1999 and 2001. Although the earnings were recorded on the MEF, SSA did not previously review the earnings. We alerted the Agency to the case during our audit but, because too much time had elapsed since the individual received the earnings, SSA did not review the discrepancies. We estimate that SSA would have recorded an overpayment of approximately \$3,525 if the Agency reviewed the earnings within the 2-year administrative finality period.

In another example, SSA withheld a portion of a recipient's SSI payments based on her estimated earnings for 1999 and 2000. However, her actual earnings posted to the MEF were less than the amounts previously estimated. Although we alerted SSA to the discrepancy during our audit, too much time elapsed and the Agency did not review the earnings because of administrative finality. We estimate that this individual may have been eligible to receive an additional \$1,019 in SSI payments if the Agency reviewed the earnings within the 2-year administrative finality period.

### **Opportunities Existed to Identify and Evaluate Earnings**

Of the 43 recipients with earnings that were not considered in the SSI calculations, we found that SSA had the opportunity to evaluate the earnings of at least 28 individuals sooner. The following describes some past opportunities SSA had to identify and evaluate the recipients' earnings and the impact the earnings could have had on SSI eligibility and payment amounts.

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#### ***Periodic Redeterminations***

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SSA performed redeterminations or limited issue reviews for 27 individuals but did not evaluate the earnings discrepancies. For example, a recipient had earnings on the MEF that exceeded earnings recorded on the SSR. A redetermination was processed in October 2000 but SSA did not review the earnings discrepancy.

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#### ***Earnings Diaries***

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SSA's computer matching programs successfully identified the earnings discrepancies for at least 8 cases in our sample and established diaries to alert SSA personnel. Although earnings-related diaries were present for the years with the discrepancies, SSA did not review the earnings. For example, one individual had earnings recorded on the MEF that were greater than those recorded on the SSR for 1998 and 2000. The discrepancy was detected through a computer match and an earnings-related diary was established on the SSR in 2001 but SSA did not evaluate the

earnings. We estimate that this recipient would have been overpaid at least \$7,053 but, due to the Agency's rules under administrative finality, SSA will not assess or collect this amount.

### Earnings Recorded on MSSICS

Based on the results of our sample, we estimate the earnings of about 7,920 recipients were recorded on MSSICS but not transmitted to the SSR. For example, a Field Office employee recorded one recipient's earnings for 2000 and 2001 on MSSICS but did not close the transaction and send the information to the SSR. As a result, the earnings were not included in the SSI payment calculations. We estimate that this recipient would have been overpaid \$3,449, but due to the Agency's rules under administrative finality, SSA will not reopen the case.

## CONCLUSIONS AND RECOMMENDATIONS

We identified some overpayments that were previously undetected because not all recipients' earnings were considered when SSA calculated SSI eligibility and payment amounts. In addition, we identified payments that would have been considered overpayments if the Agency had discovered and reviewed the earnings within the time periods allowed under the Agency's administrative finality rules. It is important that SSA take all cost-effective steps to ensure payment accuracy, especially in light of the Agency's strategic goals for FY 2005, which include ensuring superior stewardship of Social Security programs and resources. To assist SSA in achieving its goals, we recommend that the Agency:

1. Ensure that earnings-related diaries resulting from computer matches are adequately controlled by management and resolved timely.
2. Remind Field Office employees to: (a) review earnings recorded on the MEF whenever redeterminations and limited issue reviews are performed, (b) review and resolve any discrepancies that exist between the MEF and the SSR, and (c) transmit earnings data to the SSR when recorded in MSSICS.

## AGENCY COMMENTS

SSA agreed with our recommendations. Specifically, in April 2005, the Agency plans to issue reminders to Field Office managers and staff about the importance of using available resources to control and resolve earnings-related diaries. (See Appendix D for SSA's comments.)



Patrick P. O'Carroll, Jr.

# *Appendices*

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[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Identification and Prevention of Overpayments Caused by Earnings

[APPENDIX C](#) – Scope, Methodology and Sample Results

[APPENDIX D](#) – Agency Comments

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

## Acronyms

C.F.R.	Code of Federal Regulations
FY	Fiscal Year
MEF	Master Earnings File
MSSICS	Modernized Supplemental Security Income Claims System
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
U.S.C.	United States Code

## Identification and Prevention of Overpayments Caused by Earnings

In addition to the current tools used by the Social Security Administration (SSA), the Agency is also pursuing implementation of new tools to help identify and prevent Supplemental Security Income (SSI) overpayments caused by earnings. Examples of some pilots (or testing) conducted by SSA are discussed below.

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### **Monthly Wage Reporting**

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Between May and December 2003, SSA performed a pilot to test the effectiveness of reporting wages by telephone. Approximately 1,341 individuals volunteered to report their wages to SSA each month by dialing a toll-free number. The pilot found that the telephone wage reports were much more accurate than the estimated wage amounts they replaced. SSA estimated that approximately \$200 in overpayments and \$400 in underpayments would be prevented annually for every person who reports his wages each month.

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### **Centralized Wage Reporting**

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Effective in January 2005, SSA began a centralized wage reporting test in which wage reports from SSI recipients serviced by 10 Field Offices are processed by a centralized unit. SSI wage earners serviced by the 10 Field Offices were notified about the test and requested to send pay stubs of their wages to the centralized unit which, in turn, will record the earnings on the record. The Centralized Wage Reporting Test is intended to improve SSI payment accuracy, provide workload relief to the Field Offices, and provide consistency to the wage reporting process by having SSI monthly wage reporters send their pay stubs to the centralized unit.

# Scope, Methodology and Sample Results

To accomplish our objective, we

- Reviewed applicable sections of the Social Security Act, the Code of Federal Regulations, and the Social Security Administration's (SSA) Program Operations Manual System.
- Obtained a file of all Supplemental Security Income (SSI) recipients from 1 of 20 Social Security number segments, who were receiving disability payments as of March 2002.<sup>1</sup> We then determined which of these recipients had at least 1 year of earnings reported to the Master Earnings File (MEF) for years 1996 to 2000 in which their earnings exceeded \$780.<sup>2</sup> We further narrowed this population by excluding cases in which:
  1. the recipients were entitled to disability benefits based on blindness; or
  2. the reported earnings were in the year of, or before, the recipients' initial SSI application dates.
- Selected a random sample of 275 recipients from the population we identified and analyzed any earnings discrepancies. Specifically, we determined whether variances existed between earnings posted to the MEF and the earnings SSA considered when calculating SSI eligibility per the Supplemental Security Record (SSR). If the earnings did not reasonably agree to earnings recorded on the SSR, we reconciled the variances with SSA (using available electronic data and/or contacting appropriate Agency employees).<sup>3</sup>

We performed our audit in Boston, Massachusetts between April and November 2004. We tested the data we obtained for our audit for accuracy and completeness and determined it to be sufficiently reliable to meet our audit objective. The entities audited were the Office of Income Security Programs under the Deputy Commissioner for Disability and Income Security Programs and SSA Field Offices under the Deputy Commissioner for Operations. We conducted our audit in accordance with generally accepted government auditing standards.

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<sup>1</sup> The last 2 digits of the Social Security number are randomly assigned and can contain digits "00" to "99." These Social Security numbers can be categorized into 20 segments, each containing groups of 5 digits. For this audit, we selected Social Security numbers ending with the digits "55" to "59."

<sup>2</sup> The earned income exclusion of \$65 per month applies when determining countable income. For SSI purposes, we calculated \$65 x 12 months to arrive at \$780.

<sup>3</sup> By reasonably agree, we refer to cases in which the variance in earnings does not exceed \$1,000. We considered earnings discrepancies of \$1,000 or less to be immaterial.

## SAMPLE RESULTS

<b>Table 1: Population and Sample Size</b>	
Population Size (one segment)	27,225
Sample Size	275
Estimated Number of Recipients in Universe (Population of audited segment multiplied by 20 segments)	544,500

<b>Table 2: SSI Recipients Whose Overpayments Were Not Detected By SSA Because Their Earnings Were Not Accurately Considered in the SSI Calculations</b>	<b>Results in Audited Segment</b>	<b>Estimate in All 20 Segments</b>
<b>Attribute Appraisal</b>		
Total Sample Results	6	NA
Point Estimate	594	11,880
Projection Lower Limit	262	5,240
Projection Upper Limit	1,157	23,140
<b>Variable Appraisal</b>		
Total Sample Results	\$ 6,272	NA
Point Estimate	\$ 620,925	\$ 12,418,500
Projection Lower Limit	\$ 181,884	\$ 3,637,680
Projection Upper Limit	\$ 1,059,966	\$ 21,199,320

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

<b>Table 3: SSI Recipients Who May Have Been Over-Paid If SSA Evaluated the Earnings Discrepancies Prior to the Expiration of Administrative Finality Periods</b>	<b>Results in Audited Segment</b>	<b>Estimate in All 20 Segments</b>
<b>Attribute Appraisal</b>		
Total Sample Results	31	NA
Point Estimate	3,069	61,380
Projection Lower Limit	2,258	45,160
Projection Upper Limit	4,054	81,080
<b>Variable Appraisal</b>		
Total Sample Results	\$ 37,739	NA
Point Estimate	\$ 3,736,179	\$ 74,723,580
Projection Lower Limit	\$ 2,027,776	\$ 40,555,520
Projection Upper Limit	\$ 5,444,582	\$ 108,891,640

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

<b>Table 4: SSI Recipients Who May Have Been Under-Paid If SSA Evaluated the Earnings Discrepancies Prior to the Expiration of Administrative Finality Periods</b>	<b>Results in Audited Segment</b>	<b>Estimate in All 20 Segments</b>
<b>Attribute Appraisal</b>		
Total Sample Results	6	NA
Point Estimate	594	11,880
Projection Lower Limit	262	5,240
Projection Upper Limit	1,157	23,140
<b>Variable Appraisal</b>		
Total Sample Results	\$ 4,104	NA
Point Estimate	\$ 406,322	\$ 8,126,440
Projection Lower Limit	\$ 119,275	\$ 2,385,500
Projection Upper Limit	\$ 693,368	\$ 13,867,360

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

<b>Table 5: SSI Records in Which Earnings Were Verified Per MSSICS, But the Earnings Were Not Sent to the SSR to Update the SSI Due and Paid Calculations</b>	<b>Results in Audited Segment</b>	<b>Estimate in All 20 Segments</b>
<b>Attribute Appraisal</b>		
Total Sample Results	4	NA
Point Estimate	396	7,920
Projection Lower Limit	137	2,740
Projection Upper Limit	895	17,900

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

## Agency Comments



## SOCIAL SECURITY

MEMORANDUM

34111-24-1248

Date: March 23, 2005

Refer To: S1J-3

To: Patrick P. O'Carroll  
Inspector General

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

Subject: Office of Inspector General (OIG) Draft Report, "Disabled Supplemental Security Income Recipients with Earnings" (A-01-04-14085)--INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments to the recommendations are attached.

Please let us know if we can be of further assistance. Staff questions may be referred to Candace Skurnik on extension 54636.

Attachment:  
SSA Response

**COMMENTS ON THE OFFICE OF INSPECTOR GENERAL (OIG) DRAFT REPORT, “DISABLED SUPPLEMENTAL SECURITY INCOME RECIPIENTS WITH EARNINGS” (A-01-04-14085)**

Thank you for the opportunity to review the OIG draft report. We agree with the findings and recommendations contained in the report, and we will continue to take all cost-effective steps to ensure payment accuracy.

Our responses to the specific recommendations are provided below. We have also included a technical comment for your consideration.

Recommendation 1

SSA should ensure that earnings-related diaries resulting from computer matches are adequately controlled by management and resolved timely.

Comment

We agree. Payments are more accurate when earnings discrepancies are identified and resolved within the time frames afforded by the Agency’s administrative finality regulations. Adequate controls are provided to the regional offices, area offices, and field offices (FOs) through the instructions given them regarding the number and time frame for clearance of SSI redetermination and limited issue cases. Additionally, the Modernized Supplemental Security Initial Claims System (MSSICS) enhancements provide further management controls by now precluding redetermination clearances unless the active computer match diaries are properly addressed. Through the use of management monitoring tools, management has the ability to accurately track the clearance of redetermination and limited issue cases. By April 1, 2005, we will issue a reminder to FO managers to keep tight control of earnings-related diaries so that they are resolved in a timely manner.

Recommendation 2

SSA should remind FO employees to: (a) review earnings recorded on the Master Earnings File (MEF) whenever redeterminations and limited issue reviews are performed, (b) review and resolve any discrepancies that exist between the MEF and the Supplemental Security Record (SSR), and (c) transmit earnings data to the SSR when recorded in MSSICS.

Comment

We agree. The Agency has taken the necessary steps to address these issues. Since March 27, 2002, the Agency has required the use of the RZwiz application, a computer program designed to provide interview assistance for SSI redetermination or limited issue cases. It is not intended to replace the SSR, but instead highlights error-prone areas, such as earned income for the eligible individual, eligible spouse and deemors (parents and/or spouses of disabled children and adults whose income is used to determine the disabled individual's or child's SSI payment amount).

Mandatory use of the RZwiz is incorporated in the Program Operations Manual System (POMS) SI 02305.071: “RZwiz implements a SSI High-Risk Workgroup recommendation to improve detection of wages, the single greatest cause of SSI payment error. RZwiz ...improves the RZ [redetermination] interview (the most error prone stage of the RZ process), by providing [field office] claims representatives with an easy-to-use tool that automatically retrieves, consolidates and interprets queries used during the RZ interview.”

The recommended procedures are consistent with POMS guidelines. However, by April 1, 2005, we will issue a reminder to FO employees to reinforce the importance of following the existing POMS SI 020310.055 and .062 procedures.

[SSA provided additional technical comments which we incorporated into this report as appropriate.]

## **OIG Contacts and Staff Acknowledgments**

### ***OIG Contacts***

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

### ***Acknowledgments***

In addition to those named above:

Jeffrey Brown, Senior Auditor

Kevin Joyce, IT Specialist

Brennan Kraje, Statistician

Alexander Rosania, Auditor

Melinda Tabicas, Auditor

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