
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**DISABILITY INSURANCE AND
SUPPLEMENTAL SECURITY INCOME CLAIMS
APPROVED IN 2006 BUT NOT PAID**

July 2010

A-01-10-11009

AUDIT REPORT



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SOCIAL SECURITY

MEMORANDUM

Date: July 16, 2010

Refer To:

To: The Commissioner

From: Inspector General

Subject: Disability Insurance and Supplemental Security Income Claims Approved in 2006 But Not Paid (A-01-10-11009)

OBJECTIVE

The objective of our review was to identify Disability Insurance (DI) and Supplemental Security Income (SSI) claims that were medically allowed for disability benefits in Calendar Year 2006 but had not been paid.

BACKGROUND

The Social Security Administration (SSA) provides DI and SSI disability benefits to eligible individuals under Titles II and XVI of the *Social Security Act*.¹ To receive disability benefits, an individual must first file an application with SSA. An SSA field office then determines whether the individual is performing substantial gainful activity and whether he or she meets the non-disability criteria for benefits.² If so, field office staff generally forwards the claim to the disability determination services (DDS) in the State or other responsible jurisdiction for a disability determination. Once the DDS makes a determination, it sends the claim to an SSA office for final processing or to a Disability Quality Branch for review before final processing.³

¹ The *Social Security Act*, §§ 223 *et seq.* and 1611 *et seq.*, 42 U.S.C. §§ 423 *et seq.* and 1382 *et seq.*

² For DI benefits, the non-disability criteria include such factors as sufficient earnings. For SSI payments, the non-disability criteria include such factors as limited income and resources.

³ The Disability Quality Branches review half of all allowances, which are selected by a predictive model. See *Social Security Act*, §§ 221(c) and 1633(e), 42 U.S.C. §§ 421(c) and 1383b (e). See also 20 C.F.R. §§ 404.1640 through 404.1643 and 416.1040 through 416.1043. Disability Quality Branches also review 70 allowances and 70 denials per DDS per quarter. This sample ensures statistically valid findings for all DDSs irrespective of size. For each review, a Federal quality reviewer determines whether the record supports the DDS' determination and whether the evidence and determination conform to SSA's policies and procedures.

If the claimant disagrees with the initial disability determination, he or she can file an appeal within 60 days from the date he or she is notified of the determination. In most cases, there are three levels of administrative appeal that an individual may request: (1) reconsideration by the DDS, (2) hearing by an administrative law judge (ALJ), and (3) review by the Appeals Council. After completing the administrative review process, dissatisfied claimants may appeal to the Federal courts.⁴

According to SSA's Office of Disability Program Management Information, for Fiscal Year 2006, there were over 3.5 million cases decided at the initial, reconsideration, and ALJ levels. Table 1 shows the breakdown of claims for each of the three levels.

Table 1					
Level of Determination	Number of Claims	Allowances	Percent	Denials/Dismissals	Percent
Initial	2,482,870	869,005	35%	1,613,866	65%
Reconsideration	500,806	65,105	13%	435,701	87%
ALJ	550,011	341,007	62%	209,004	38%
TOTAL	3,533,687	1,275,117		2,258,571	

During our review, *Impact of the Social Security Administration's Claims Process on Disability Beneficiaries (A-01-09-29084)*, we found an individual who was medically allowed for a disability benefit in Calendar Year 2006 but was not paid as of July 2008. In October 2008, we referred this case to SSA, whose staff concluded the claim should have been paid. We initiated this review to determine the extent of this issue.

METHODOLOGY

We obtained a file containing all DI and SSI disability allowances for Calendar Year 2006 that were decided by either a DDS or an ALJ. We initially identified a total of 123,332 DI claimants and 358,826 SSI claimants who were medically allowed for disability payments but were not receiving them as of July 2008. Through further analysis, we determined most of these individuals had received benefits at some point and were no longer eligible (for example, individual was deceased) or were never eligible for payments because they did not meet the non-medical criteria. However, as of January 2010, we identified 61 cases that appeared to need corrective action by SSA. We referred these 61 cases to SSA's Office of Operations for review and appropriate action. (See Appendix B for our scope and methodology.)

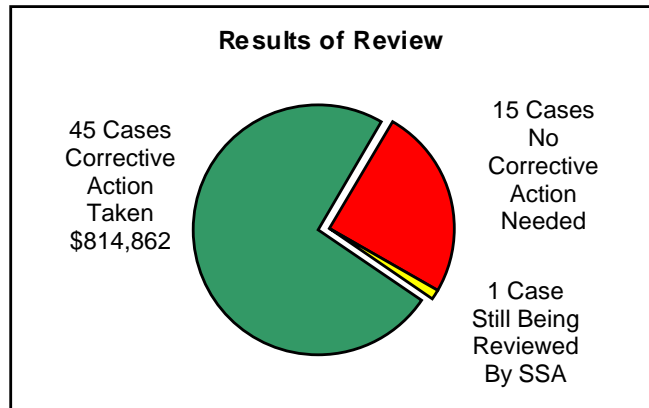
⁴ The reconsideration step of the administrative review process is eliminated for DDSs participating in the Disability Redesign Prototype (Alabama, Alaska, California—Los Angeles North and Los Angeles West Branches—Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, and Pennsylvania).

RESULTS OF REVIEW

Based on our review, SSA determined that most of the 61 cases we identified needed corrective action as these claimants had not received payments based on the medical allowance decisions issued in Calendar Year 2006.

Of the 61 cases we referred,

- 45 (74 percent) needed corrective action and SSA calculated \$814,862 in past due benefits,⁵
- 15 (25 percent) did not need corrective action,⁶ and
- 1 (1 percent) was still being reviewed by SSA as of July 2010.



CLAIMANTS WHO DID NOT RECEIVE BENEFITS

In 45 cases, the DI and SSI claimants should have received payments for the medical allowance decision for which they had not been paid. We determined that 29 of the 45 claimants received some type of benefit from SSA other than their unpaid allowance claim; therefore, these individuals may have believed this was the only benefit they were entitled to receive. As of July 2010, the Agency calculated past due benefits of \$814,862 to 41 claimants; and in 4 cases, SSA had not yet calculated past due benefits.⁷ Additionally, these claimants will receive about \$255,168 in benefits over the next 12 months.⁸ Of the \$814,862 in past due benefits,

⁵ Of the \$814,862 in past due benefits: (1) \$378,092 was paid to the claimants; (2) \$12,710 was used to collect overpayments from other benefits the claimants were receiving; and (3) \$30,673 was used to collect overpayments for other individuals, such as a spouse, widow, or child, who received benefits on the same record as the unpaid claimants. The remaining \$393,387 was SSA's preliminary estimate of benefits due while staff were completing these cases.

⁶ For example, in some of these cases, the claimant was allowed for Medicare only or the claimant did not meet insured status at the time of disability onset. Insured status is the earnings requirement a Social Security number holder must meet to establish entitlement to any type of benefit or a period of disability based on their earnings record. See POMS RS 00301.101 A.1.

⁷ The average past due benefit was \$19,875; and these past due benefits ranged from a low of \$113 to a high of \$72,033.

⁸ In 3 of the 45 cases, the claimants were deceased but entitled to their disability benefit; therefore, SSA calculated a lump sum death benefit to be paid to their widows. We did not include these 3 claimants in our future benefits calculation.

- \$698,102 was calculated for 34 DI claimants, with an average past due benefit of \$20,532; and
- \$116,760 was calculated for 7 SSI claimants, with an average past due benefit of \$16,680.

Table 2 shows the range of past due benefits SSA had calculated for the 45 claimants as of July 2010 and Table 3 shows their disabilities.

Table 2		
Past Due Benefits Range	Number of Claimants	Percent
\$0 to \$10,000	21	47%
\$10,001 to \$25,000	6	13%
\$25,001 to \$50,000	9	20%
\$50,001 to \$100,000	5	11%
SSA in Process of Calculating Past Due Benefits	4	9%
TOTAL	45	100%

Table 3		
Type of Disability	Number of Claimants	Percent
Mental Disorders	25	56%
Musculoskeletal	5	11%
Malignant Neoplastic Diseases	3	7%
Neurological	3	7%
Special Senses and Speech	3	7%
Immune System Disorders	2	4%
Cardiovascular	1	2%
Endocrine	1	2%
Impairments that Affect Multiple Body Systems	1	2%
Respiratory	1	2%
TOTAL	45	100%

For example, an individual diagnosed as having a mental disorder applied for DI benefits in October 2005 and was allowed in February 2006 but was not paid. As a result of our referral, SSA determined this claimant should have been paid for his 2006 allowance, and the Agency calculated a past due benefit of \$39,345 for the period March 2006 through March 2010.⁹ According to SSA, the individual did not receive the DI benefit because the claim was never processed.

⁹ For this review, we did not contact claimants to determine any possible impact the wait for disability benefits had on them. In 2009, we conducted a review to determine the impact the wait for disability

In another example, an individual with a musculoskeletal disability applied for SSI payments in December 2005 and was allowed by the DDS in February 2006 but was not paid. According to SSA, the Agency was not aware that the SSI payment was not processed as the claimant's file was not on a control listing. SSA calculated a past due SSI payment of \$16,227 for the period January 2006 through March 2010.

Reasons Why Claimants Did Not Receive Their Benefits

The 45 claimants did not receive their benefits because of employee error that occurred while the individuals' claims were being processed.¹⁰ Some of the cases involved manual processing of the claim because of a processing limitation in SSA's system. Table 4 shows which type of SSA office worked the cases that resulted in the claimants not receiving benefits, and Table 5 shows the number of cases by Region.

Table 4		
Office That Caused Error	Number of Claimants	Percent
Field Office	42	93%
Payment Service Center	2	5%
Disability Quality Branch	1	2%
TOTAL	45	100%

Table 5		
SSA Region	Number of Claimants	Percent
Region 1 – Boston	5	11%
Region 2 – New York	5	11%
Region 3 – Philadelphia	4	9%
Region 4 – Atlanta	12	27%
Region 5 – Chicago	6	13%
Region 6 – Dallas	3	7%
Region 7 – Kansas City	2	4%
Region 8 – Denver	0	0%
Region 9 – San Francisco	8	18%
Region 10 – Seattle	0	0%
TOTAL	45	100%

benefits had on claimants in our report, *Impact of the Social Security Administration's Claims Process on Disability Beneficiaries* (A-01-09-29084), September 2009.

¹⁰ There were 44 different field offices which processed the 45 claims.

For example, one claimant who was diagnosed with a musculoskeletal disability was allowed DI benefits in September 2006. SSA needed to process the DI claim manually; however, the field office never processed the claim, and this resulted in the claimant not receiving her DI benefits. SSA calculated a past due DI benefit totaling \$854 for the period April 2006 through March 2010. This claimant began receiving SSI payments in December 2006, around the same time she was allowed DI benefits; therefore, she might not have been aware that she should have started receiving DI benefits as well.

In another case, a claimant had a hearing disability and was allowed a DI benefit in March 2006. The Disability Quality Branch selected her claim for review before final processing. After review, the Disability Quality Branch did not transfer the case to the field office for final processing, resulting in the claimant not receiving her DI benefits. As of July 2010, SSA has not yet determined how much this individual should receive in past due benefits.

Another claimant was allowed DI benefits in October 2006 for a cardiovascular disability; however, the field office did not process his DI benefit correctly. Therefore, this individual did not receive his DI benefit. The Agency calculated a past due benefit of \$27,731; however, the claimant had not yet received the past due benefit as he was in payment suspension because SSA was selecting a representative payee for this individual.¹¹

CLAIMANTS SHOULD HAVE RECEIVED BENEFITS EARLIER THAN THEY DID

While identifying our population for this review, we found 19 claimants who were receiving widows' benefits; however, it appeared they should have started receiving benefits earlier than they did. We referred these 19 cases to SSA's Office of Operations for review and appropriate action.

SSA determined 16 of the 19 claimants should have received benefits earlier than they did. The Agency applied an incorrect month of entitlement while processing these cases, which caused the claimants to start receiving benefits later than they should have. The Agency calculated \$122,154 in past due benefits for these 16 DI claimants.¹² Table 6 shows the Regions where these cases were processed.

¹¹ A representative payee is a person or organization selected by SSA to receive and manage benefits on behalf of an incapable beneficiary. Payees are responsible for using Social Security benefits to serve the beneficiary's best interests. See *Social Security Act* §§ 205(j) and 1631(a)(2); 42 U.S.C. §§ 405(j) and 1383(a)(2).

¹² Of the \$122,154 in past due benefits, \$112,928 was paid and/or applied to outstanding overpayments for the claimants. The remaining \$9,226 was SSA's preliminary estimate of benefits due while staff was completing these cases. The average past due benefit was \$7,635 and these past due benefits ranged from a low of \$2,100 to a high of \$15,557.

Table 6		
SSA Region	Number of Claimants	Percent¹³
Region 1 – Boston	0	0%
Region 2 – New York	2	13%
Region 3 – Philadelphia	1	6%
Region 4 – Atlanta	3	19%
Region 5 – Chicago	3	19%
Region 6 – Dallas	2	13%
Region 7 – Kansas City	0	0%
Region 8 – Denver	0	0%
Region 9 – San Francisco	4	25%
Region 10 – Seattle	1	6%
TOTAL	16	100%

For example, in one case, a claimant with a musculoskeletal disability was allowed in August 2006 for a disabled widow’s benefit. The Agency established the claimant’s month of entitlement at age 60 for a widow’s benefit and did not consider her disabled widow’s benefit.¹⁴ This resulted in the widow receiving benefits 9 months later than she should have. The Agency calculated past due benefits of \$10,035.

We plan to do further work in this area to determine the extent of this issue concerning disabled widows who should have received benefits earlier than they did.

CONCLUSION AND RECOMMENDATION

Our review of allowance decisions issued in Calendar Year 2006 found 45 beneficiaries who were not paid as of 2010—4 years after the decisions to pay the claimants were made by SSA. These 45 cases represent only 0.004 percent of the 1.3 million allowance decisions issued in 2006. Additionally, while identifying our population for this review, we found 16 individuals who were receiving widows’ benefits; however, they should have started receiving benefits earlier than they did. We plan to perform further work in these two areas to determine the extent of unpaid disability allowance decisions and underpaid disabled widows.

¹³ The total percent column equals 101 percent because of rounding.

¹⁴ To be entitled to a disabled widow’s benefit, a widow must have attained age 50, but not attained age 60. For a regular widow’s benefit, the widow must be at least age 60. See POMS DI 10110.001 and RS 00207.001.

We referred the 45 unpaid allowance cases and 16 widows' cases to SSA, and the Agency initiated its review and corrective action as soon as we notified them of these cases. The Agency calculated past due benefits of \$814,862 for the 45 unpaid claimants and \$122,154 for the 16 underpaid disabled widows.¹⁵

We recommend that SSA complete its work on the 45 unpaid claimants and 16 widows we identified and ensure all past due benefits are paid to beneficiaries as appropriate.

AGENCY COMMENTS

SSA agreed with our recommendation. Comments are included in Appendix C.



Patrick P. O'Carroll, Jr.

¹⁵ As of July 2010, SSA has not yet calculated past due benefits for 4 of the 45 unpaid claimants.

Appendices

[APPENDIX A](#) – Acronyms

[APPENDIX B](#) – Scope and Methodology

[APPENDIX C](#) – Agency Comments

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

Acronyms

ALJ	Administrative Law Judge
DDS	Disability Determination Services
DI	Disability Insurance
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

To achieve our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Obtained a file of all disability claims with an initial, reconsideration, or hearings level allowance in Calendar Year 2006. From this file, we:
 - ✓ Identified 358,826 Supplemental Security Income claimants who were medically allowed for disability payments but were not receiving them as of July 2008.
 - ✓ Identified 123,332 Disability Insurance claimants who were medically allowed for disability benefits but were not receiving them as of July 2008.
 - ✓ Reviewed SSA mainframe queries and conducted further analysis to identify 61 cases which appeared to need corrective action as these claimants did not receive payment for their medical allowance issued in Calendar Year 2006.¹
 - ✓ Referred these 61 cases to SSA's Office of Operations for review and appropriate action.

Additionally, while we were identifying our population for this review, we found 19 cases in which it appeared the claimants should have started receiving benefits earlier than they did. Therefore, we also referred these 19 cases to the Office of Operations for review and any necessary corrective action.

We conducted our audit between January and July 2010 in Boston, Massachusetts. The entity audited was the Social Security Administration's Regional Commissioners under the Deputy Commissioner for Operations. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

¹ We were able to exclude most cases because we determined claimants (1) had received benefits for their 2006 medical allowance and were no longer eligible in July 2008 or (2) were never entitled to disability benefits because they did not meet the non-medical eligibility requirements.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: July 9, 2010

Refer To: S1J-3

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

From: James A. Winn /s/
Executive Counselor
to the Commissioner

Subject: Office of the Inspector General (OIG) Draft Report, "Disability Insurance and Supplemental Security Income Claims Approved in 2006 But Not Paid" (A-01-10-11009)—INFORMATION

Thank you for the opportunity to review and comment on the draft report. We appreciate OIG's efforts in conducting this review. Attached is our response to the report recommendations.

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

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL'S DRAFT REPORT,
"DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME CLAIMS
APPROVED IN 2006 BUT NOT PAID" (A-01-1011009)**

We agree with your findings and recommendation.

COMMENTS ON RECOMMENDATION

Recommendation

We recommend that SSA complete its work on the 45 unpaid claimants and 16 widows we identified and ensure all past due benefits are paid to beneficiaries as appropriate.

Comment

We agree. We are currently working these claims and will pay all past due benefits as appropriate by July 2010.

[In addition to the information listed above, SSA also provided additional comments, which were incorporated in the report where appropriate.]

OIG Contacts and Staff Acknowledgments

OIG Contacts

Judith Oliveira, Director, Boston Audit Division

Phillip Hanvy, Audit Manager

David Mazzola, Audit Manager

Acknowledgments

In addition to those named above:

Katie Greenwood, Auditor

Kevin Joyce, IT Specialist

Frank Salamone, Senior Auditor

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