



Office *of the* Inspector General

SOCIAL SECURITY ADMINISTRATION

*Audit Report*

Accuracy of Disability Benefits to  
Beneficiaries Who Also Received  
Federal Employees' Compensation  
Act Payments

*A-02-15-22114 | November 2015*



Office of the Inspector General

SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: November 13, 2015

Refer To:

To: The Commissioner

From: Inspector General

Subject: Accuracy of Disability Benefits to Beneficiaries Who Also Received Federal Employees' Compensation Act Payments (A-02-15-22114)

The attached final report presents the results of the Office of Audit's review. The objective was to determine the accuracy of Social Security disability benefits paid to beneficiaries who also received *Federal Employees' Compensation Act* payments.

Please provide within 60 days a corrective action plan that addresses each recommendation. If you wish to discuss the final report, please call me or have your staff contact Steven L. Schaeffer, Assistant Inspector General for Audit, at (410) 965-9700.

A handwritten signature in black ink, appearing to read 'Pat P. O'Carroll, Jr.' with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Attachment

# Accuracy of Disability Benefits to Beneficiaries Who Also Received Federal Employees' Compensation Act Payments

## A-02-15-22114



November 2015

Office of Audit Report Summary

### Objective

To determine the accuracy of Social Security disability benefits paid to beneficiaries who also received *Federal Employees' Compensation Act* (FECA) payments.

### Background

FECA is a type of workers' compensation payment administered by the Department of Labor (DOL). When a beneficiary receives both Social Security Disability Insurance (DI) and FECA payments, SSA must reduce the DI benefits for the beneficiary and his/her family to ensure the combined DI benefits and FECA amounts do not exceed the higher of 80 percent of the beneficiary's average current earnings or the total family benefit.

SSA systems calculate DI benefits based on FECA information entered by SSA staff when the DI claim is processed and recalculate them when staff input FECA payment changes. Incomplete, inaccurate, and untimely updates of records for FECA payment changes can cause improper payments.

We identified from 1 segment of the Master Beneficiary Record, 763 DI beneficiaries whose Master Beneficiary Records had coding that indicated they likely had a FECA claim or FECA payments. From this population, we reviewed a random sample of 100 cases.

### Findings

Of the 100 sampled beneficiaries, 88 had received FECA payments or filed a FECA claim. In 65 cases, the beneficiaries concurrently received DI and FECA payments. We found SSA staff entered incomplete and inaccurate FECA information into SSA's systems when beneficiaries' DI claims were processed and their records updated.

In many cases, FECA payments changed after the beneficiaries began receiving DI benefits, but we found SSA updated its records infrequently, sometimes months or years after a change, and sometimes not at all. In many cases, these errors resulted in improper payments.

We identified total improper payments of about \$853,000 for 39 of the 65 DI beneficiaries who were receiving concurrent FECA payments. Specifically, SSA overpaid 28 beneficiaries about \$797,000 and underpaid 11 beneficiaries about \$56,000. Based on these results, we estimate SSA improperly paid 5,960 beneficiaries approximately \$130 million because it did not properly offset their DI benefits for their FECA payments.

### Recommendations

We made 5 recommendations including that SSA develop the 39 improper payment cases we identified. SSA agreed with four of the five recommendations.

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## ABBREVIATIONS

AQS	Agency Query System
C.F.R.	Code of Federal Regulations
COLA	Cost-of-Living Adjustment
DI	Disability Insurance
DOL	Department of Labor
FECA	<i>Federal Employees' Compensation Act</i>
MBR	Master Beneficiary Record
OIG	Office of the Inspector General
PDB	Public Disability Benefits
POMS	Program Operations Manual System
SSA	Social Security Administration
U.S.C.	United States Code
WC	Workers' Compensation

## OBJECTIVE

Our objective was to determine the accuracy of Social Security Disability Insurance (DI) payments paid to beneficiaries who also received *Federal Employees' Compensation Act* (FECA) payments.

## BACKGROUND

FECA is a type of workers' compensation (WC) administered by the Department of Labor (DOL).<sup>1</sup> FECA provides benefits for on-the-job injuries or illnesses sustained by U.S. civil employees. When a beneficiary receives both DI and FECA payments, the *Social Security Act*<sup>2</sup> requires that the Social Security Administration (SSA) offset DI benefits for the beneficiary and his/her family to ensure the combined DI and FECA payments do not exceed the higher of 80 percent of the beneficiary's average current earnings or the total family benefits.<sup>3</sup>

SSA first determines whether a DI beneficiary receives FECA payments when he/she applies for DI benefits. For example, SSA would ask the beneficiary whether the disability is work-related or he/she has filed, or intends to file, for WC. If the beneficiary receives FECA payments, SSA staff should obtain pay stubs or other documents from the beneficiary or DOL to verify the rates and dates of the FECA payments.<sup>4</sup> SSA staff should enter FECA payment information into its records.<sup>5</sup> When the DI claim is processed, SSA systems use payment information to calculate the combined monthly DI and FECA amounts, compare them to the statutory limit, and determine the DI benefit amounts after offset.<sup>6</sup> SSA staff should inform the beneficiary that he/she needs to report future FECA payment changes to SSA immediately.<sup>7</sup>

After a beneficiary is receiving DI benefits, benefit amounts after offset can change. SSA systems recalculate these benefits when staff updates SSA records for changes, such as FECA payment changes. When a change in the FECA payment amount changes the DI benefit amount

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<sup>1</sup> Codified at 5 U.S.C. §§ 8101 *et seq.* Implementing regulations are located at 20 C.F.R. §§ 10.00-10.826. The DOL, Office of Workers' Compensation Programs is charged with administering the program.

<sup>2</sup> *Social Security Act*, Section 224, 42 U.S.C. § 424.

<sup>3</sup> Total family benefits is the total of all DI benefit monthly amounts for the primary beneficiary and any beneficiaries entitled on the record on the first month of concurrent DI and FECA payments, when offset is considered.

<sup>4</sup> SSA, POMS, DI 52115.010E (April 10, 2014) and DI 52145.001D (January 21, 2009).

<sup>5</sup> FECA payment information includes the payment type, first month of concurrent payments, start and stop dates of the FECA amounts, FECA amounts, and frequency of the FECA payments.

<sup>6</sup> SSA, POMS, DI 52150.001C (September 25, 2008). POMS refers to the statutory limit as the "applicable limit." This limit is the higher of 80 percent of the beneficiary's average current earnings or the total family benefits.

<sup>7</sup> SSA, POMS, DI 52140.001F (June 3, 2010) and DI 52155.001C (September 25, 2008).

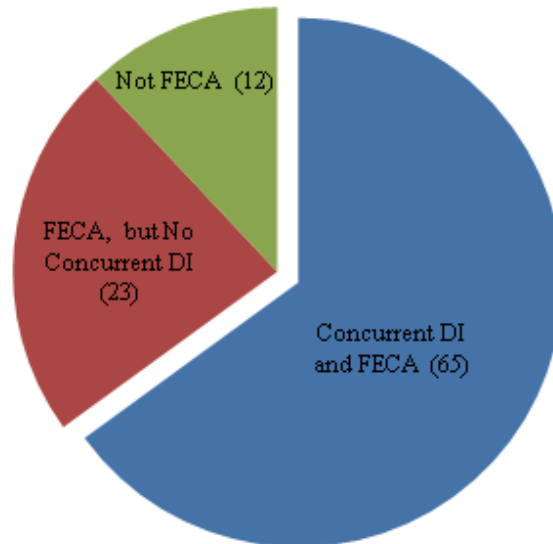
because of the required offset, SSA must provide the beneficiary a written explanation, which should include a reminder to report future FECA payment changes immediately to SSA.<sup>8</sup>

We identified from 1 segment of the Master Beneficiary Record (MBR), 763 current DI beneficiaries whose MBRs had coding that indicated they were likely receiving FECA payments. We reviewed a random sample of 100 cases and determined whether the beneficiaries were concurrently receiving DI and FECA payments. If they were receiving concurrent payments, we determined whether SSA had applied the appropriate offset to the beneficiaries' DI payments. See Appendix A for our scope and methodology.

## RESULTS OF REVIEW

Of the 100 beneficiaries reviewed, 88 were receiving FECA payments or had filed a FECA claim. Of these, 65 beneficiaries were receiving concurrent DI and FECA payments.<sup>9</sup>

**Figure 1: 100 Beneficiaries Reviewed**



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<sup>8</sup> Per SSA, POMS, DI 52165.030B (April 8, 2015), all letters involving receipt of WC payments and Public Disability Benefits (PDB) should include the “WCP032” paragraph, which, among other things, requests beneficiaries to report to SSA changes in their WC or PDB payments. The content of this paragraph is in SSA, POMS, NL 00720.395 (September 8, 2014).

<sup>9</sup> Of the 100 beneficiaries reviewed, there were 23 FECA cases with no concurrent DI benefits. For these cases, either the beneficiaries did not receive FECA payments because their claims were denied or still pending or their FECA payments had stopped before their month of entitlement to DI benefits. Of the remaining 12 beneficiaries, 5 did not file a FECA claim but had FECA coding on their MBR, and 7 did not file a FECA claim and did not have FECA coding on their MBR.

We found that SSA had improperly paid 39 of the 65 beneficiaries over \$853,000 because SSA staff did not update FECA information in SSA's systems completely, accurately, and/or timely. Specifically, SSA overpaid 28 beneficiaries about \$797,000 and underpaid 11 beneficiaries about \$56,000. SSA will not be able to collect approximately \$54,000 of the overpayments because the time limit for correcting the errors that caused the overpayments had already passed.<sup>10</sup>

Based on these results, we estimate SSA improperly paid 5,960 beneficiaries approximately \$130 million because it did not properly offset their DI benefits because of FECA payments.

## Completeness and Accuracy of FECA Information

For 61 of the 65 concurrent cases we reviewed, the beneficiaries had received, or were receiving, FECA payments when SSA processed the DI claim, and SSA staff should have verified and recorded all FECA payments. However, in 48 cases, FECA information in SSA's records was incomplete or inaccurate when the DI claim was processed. Additionally, SSA staff updated the records for 53 cases at least once after the DI claim was processed and either made new errors or did not correct errors already on the records for many of these cases.<sup>11</sup> We found SSA's records contained incomplete and inaccurate information on FECA payments for 53 beneficiaries, and the errors resulted in 39 beneficiaries receiving improper payments.<sup>12</sup>

For the cases with incomplete and inaccurate information that did not lead to improper payments, the errors could have caused improper payments but did not for the following reasons.

- The incorrect and correct combined DI and FECA amounts were both lower than the statutory limit, so there was no reduction to DI benefits.<sup>13</sup>
- Both payments were above the statutory limit, and SSA had already reduced the DI benefits as much as it could in accordance with the law.<sup>14</sup>

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<sup>10</sup> SSA has rules that determine when it can correct errors. SSA, POMS, GN 04001.010 (December 22, 1989).

<sup>11</sup> These 53 cases consisted of 42 beneficiaries whose FECA payment changed after their DI claims were processed and 11 beneficiaries who had no FECA payments or payment changes after their DI awards were processed.

<sup>12</sup> These errors are based on our review of current records, so SSA staff had not identified the improper payments we identified. However, SSA had identified other overpayments totaling approximately \$371,000 in 28 of the 65 cases when it revised or updated its records based on changes to FECA information it received.

<sup>13</sup> The statutory limit is the higher of 80 percent of the average current earnings or the total family benefits. For example, in one case, the statutory limit was \$5,436, the incorrect combined DI and FECA amount was \$498, and the correct amount was \$562. Since these amounts are both lower than \$5,436, the DI benefits were not reduced.

<sup>14</sup> In one case, there was no payment error because SSA staff tried to delete records of FECA payments, but SSA's systems did not completely process the action. Had the action been completed, an underpayment would have resulted.



**Table 1: 53 Cases with Errors in SSA’s Records**

Types of Errors (Cases can have more than one error type)	Of 39 Cases with Incorrect Payments, Number of Cases with This Error	Of 14 Cases with No Incorrect Payments, Number of Cases with This Error
Records included incorrect FECA payment amounts	18	6
Records did not include all FECA payments or changes to payment amounts	17	5
Records included incorrect frequency of FECA payments	14	2
Records included incorrect FECA payment start or stop dates	13	5
Records included incorrect first month of concurrent DI and FECA payments	4	1
Other errors <sup>15</sup>	6	3

SSA staff did not always obtain the necessary information to completely and accurately record FECA payment information. If a beneficiary receives FECA payments when he/she becomes entitled to DI benefits, SSA staff should obtain pay stubs or other documents from the beneficiary, or, if not available, from DOL, to verify the rates and dates of FECA payments.<sup>16</sup> When SSA records are updated after the beneficiaries become entitled to DI benefits, SSA staff is required to review all FECA documentation in the file and re-verify FECA payments if the documentation on file is over 1-year-old.<sup>17</sup>

Most requests for information from DOL at the time of DI entitlement are by mail because DI claims and appeals are processed in SSA field offices, which do not have access to DOL’s Agency Query System (AQS). AQS is an online tool that contains FECA payment records. While SSA’s program service center staff has access to AQS, its field office staff does not.

We reviewed the FECA documents SSA obtained when it processed DI claims and found 29 cases had no documents or the documents they had lacked the information staff needed to determine how many FECA payments the beneficiaries received. For example, in some cases we reviewed, SSA’s records indicated beneficiaries’ FECA claims were pending even though the beneficiaries were receiving FECA payments. Additionally, when SSA staff was updating

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<sup>15</sup> Other errors included not processing the offset completely; not considering FECA payments from a second FECA claim; entering pension payments as WC payments; changing incorrect FECA payments in SSA’s records when SSA’s policy on administrative finality does not permit the reopening or revision of SSA’s determination; applying incorrect termination dates for beneficiaries on the record; not updating records for the change in the primary insurance amount; and trying to delete records of FECA payments received.

<sup>16</sup> SSA, POMS, DI 52115.010E (April 10, 2014) and DI 52145.001D (January 21, 2009).

<sup>17</sup> SSA, POMS, DI 52145.001G.1 (January 21, 2009).

SSA's records after the initial DI claim processing, it did not always verify FECA changes, as required.<sup>18</sup>

When SSA staff received the necessary documents, it did not always accurately enter the FECA information into SSA's records. Some examples are listed below.

- Staff entered the net FECA payment amount instead of the gross amount, which resulted in a lower monthly FECA amount used to calculate the offset.
- Staff did not include all FECA payment changes on FECA documents.
- Staff entered into SSA's systems that FECA payments were made monthly, rather than every 28 days, which resulted in SSA's systems calculating offsets based on a FECA amount that was 7.69 percent less than it should have been.
- Staff entered a start date for a FECA cost-of-living adjustment (COLA) that was several weeks too late. Per POMS, a FECA COLA is effective on March 1 of each year.<sup>19</sup> DOL usually delays processing a FECA COLA for several weeks. As a result, SSA staff often used the start date of the first full 28-day payment for adjustments for the new amount without knowing the new amount was actually paid beginning March 1.

## Timeliness of Updates of FECA Information

Of the 65 concurrent beneficiaries' FECA payments, 50 changed after their DI claims were processed.<sup>20</sup> On average, their FECA payments changed every 10 months.<sup>21</sup> SSA updated 42 of the 50 beneficiaries' records, on average, every 34 months. In the other eight cases, SSA did not update its records even though the beneficiaries' FECA payments changed. When SSA fails to update FECA payment information timely, the DI benefit amounts the beneficiaries are paid after FECA offset may be higher or lower than what they should be, resulting in improper payments.

Table 2 highlights three cases where FECA payment changes were not processed timely, which resulted in large improper payments.

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<sup>18</sup> A FECA payment change is only one change that can affect DI benefits payable after FECA offset. These include, but are not limited to, changes to the primary insurance amount, the first month of concurrent benefits, the entitlement or termination of a family member on the record, or a redetermination of the average current earnings.

<sup>19</sup> SSA, POMS, DI 52115.010D (April 10, 2014).

<sup>20</sup> In 11 cases, there were no FECA payments for a period after the beneficiaries' claims were processed or the payments were old, and we did not have enough information to accurately compare the number of months of payment with the number of times SSA updated its records. In another four cases, the FECA payments did not change.

<sup>21</sup> To calculate the average number of months between payment changes, we compared the number of times FECA payments changed after the beneficiary's DI claim was processed to the number of months of FECA payments after the DI claim was processed.

**Table 2: Three Highest Overpayment Cases**

	Case 1	Case 2	Case 3
Number of Months of FECA Payments After DI Claim Processed <sup>22</sup>	146	35	44
Number of FECA Changes After DI Awarded	12	3	14
Average Number of Months Between FECA Payment Changes	12	12	3
Number of Times SSA Updated Records	1	1	0
Date SSA Last Entered Information into Its Records	April 16, 2002	April 10, 2012	October 19, 2005
Date of Last FECA Payment Change <sup>23</sup>	March 01, 2014	March 01, 2014	June 19, 2009
Overpayment Amount	\$204,512	\$122,623	\$94,891

### *Controls over FECA Payment Updates*

SSA relies on its staff to establish manual alerts for anticipated future FECA changes, such as the FECA COLA that occurs March 1 each year. When established, manual alerts remind SSA staff of the changes they need to make to beneficiaries' records when the changes are needed.

However, when we reviewed the 35 cases with ongoing FECA payments, we did not find any alerts established for these cases.<sup>24</sup>

SSA has some automatic alerts for WC and PDB offset cases, but they are not focused on FECA cases.<sup>25</sup> SSA's systems generate the automatic alerts for records when certain conditions are met. For example, SSA has automatic alerts for possible removal of WC/PDB offset or development for possible election of reduced retirement benefits for beneficiaries who reach age 62. SSA also has an alert for a possible redetermination of the average current earnings used to compute DI benefits after offset, which may increase once every 3 years.<sup>26</sup>

The automatic alerts have limited usefulness in alerting SSA to cases with FECA payment changes. The existing alerts often do not apply to beneficiaries who are receiving FECA payments. For example, while the automatic alert to develop for possible election of reduced

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<sup>22</sup> We did not count FECA payments before January 1, 2003 because we did not have enough information for every case to determine how many times SSA updated its records before January 1, 2003. We also did not count FECA payments after February 28, 2015.

<sup>23</sup> The FECA payment changed effective March 1, 2015 for Cases 1 and 2, but we did not count these changes because our period of review was through February 28, 2015.

<sup>24</sup> In 30 cases, the FECA payments had terminated before we conducted our audit work.

<sup>25</sup> Some PDBs are subject to offset the same way as WC payments. For example, Federal, State, and local government employees' PDBs are usually subject to offset when their employment is not substantially covered under section 218 of the *Social Security Act*.

<sup>26</sup> SSA, POMS, DI 52150.080 (July 2, 2009).

retirement benefits for beneficiaries who reach age 62 may impact some beneficiaries who receive FECA payments, many of whom are younger than age 62. Similarly, the alert for possible redetermination due to an increase in the average current earnings that occurs once every 3 years does not occur with enough frequency for SSA to accurately update records with FECA changes, which occur, on average, every 10 months.

Additionally, inaccuracies in SSA records may limit the usefulness of any automatic alerts created specifically for FECA cases. We identified 38 cases with a FECA claim or FECA payments that were listed as another type of WC/PDB in SSA's records and 5 cases that were listed as FECA cases for beneficiaries who did not receive FECA payments.

## Communications with Beneficiaries

SSA relies on beneficiaries to self-report FECA payments and changes to the Agency. However, we found that SSA did not always inform the beneficiaries of the need to do so. When beneficiaries apply for DI benefits, SSA staff must discuss with them the importance of reporting FECA payments and document the discussion in its records.<sup>27</sup> We did not find any records of the discussions in 57 of the 65 concurrent cases.

When a FECA payment change affects the DI benefits after disability offset, SSA must provide the beneficiary with a written explanation, and the notice must include a reminder to immediately report future FECA payment changes to SSA.<sup>28</sup> We reviewed 146 notices SSA sent to the 65 beneficiaries concurrently receiving FECA and DI payments and found 66 did not provide this reminder. Generally, SSA systems automatically generate notices when the records are updated. We found the system-generated notices informing beneficiaries of overpayments due to FECA offset did not include the reminder. This may result in beneficiaries not understanding that delays in updating SSA's records for FECA payment increases can cause, or contribute to, overpayments. In July 2015, SSA staff members advised us they were working on including the reminder in the system-generated overpayment notices.

Additionally, beneficiaries were not always aware of the FECA payment information SSA used to calculate DI payment offsets. We reviewed the notices SSA sent when it last updated its records to the 39 beneficiaries who had improper payments we identified. In seven cases, SSA did not send the beneficiary a notice because the DI benefits did not change. In another eight cases, SSA sent a notice but did not provide sufficient information on the FECA payments SSA used to determine DI benefits after offset. If beneficiaries are aware of the information SSA uses, they can also alert SSA when it uses incorrect FECA payment information to calculate DI benefit amounts.

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<sup>27</sup> SSA, POMS, DI 52155.001C (September 25, 2008).

<sup>28</sup> Per SSA, POMS, DI 52165.030B (April 8, 2015), all letters involving receipt of WC/PDB should include the "WCP032" paragraph. The content of this paragraph is in SSA, POMS, NL 00720.395 (September 8, 2014).

## CONCLUSIONS

In a prior OIG report, *Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments*,<sup>29</sup> we recommended SSA develop a computer matching agreement with DOL to identify possible DI beneficiaries whose benefits did not reflect the FECA compensation they received. While we are not adding a similar recommendation in this report, we believe that a data match would improve the processing of FECA cases and prevent improper payments. For example, being able to match against DOL data would help SSA identify beneficiaries who never reported they had filed a FECA claim or received FECA payments, as well as beneficiaries whose FECA claims are shown in SSA record as pending when the beneficiaries are receiving FECA payments.

In response to this prior recommendation, SSA noted it had established a process for its processing center employees to access DOL's AQS to obtain FECA payment verification. It also noted it had determined its employees were successfully accessing AQS to determine FECA payment amounts to SSA beneficiaries. Also, SSA stated only a small portion of the WC workload involved FECA payments. Therefore, SSA determined it would not pursue a data matching agreement with DOL because the related costs outweighed the potential benefit given the process changes it implemented and the potential offsets not otherwise identified through AQS.

The Government Accountability Office (GAO) released a report<sup>30</sup> in July 2015 stating that SSA's reliance on beneficiaries' self-reporting whether they receive FECA payments resulted in improper payments. GAO concluded that SSA was missing an opportunity to prevent improper payments because it decided not to pursue a routine data match with DOL. GAO noted that SSA determined that data matching would not be cost-effective, but GAO determined the Agency's decision did not consider the costs and benefits of a data match. GAO concluded that comparing the costs and benefits of alternatives for reducing DI overpayments to individuals receiving concurrent FECA payments, which could include routinely matching DOL's FECA data with its data to detect overpayments caused by unreported FECA payments, would help SSA determine whether alternatives would generate savings by identifying and preventing potential DI improper payments.

While SSA implemented changes and provided some processing center staff access to AQS, field office staff does not have access to AQS even though most claims are processed in field offices. We found FECA information on SSA's records was often incomplete or inaccurate when a DI claim was processed or staff updated SSA records, which lead to beneficiaries' receiving improper payments. We found errors occurred mainly because SSA staff did not verify FECA

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<sup>29</sup> SSA, OIG, *Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments* (A-15-09-19008), October 2010.

<sup>30</sup> GAO, *Disability Insurance, Actions Needed to Help Prevent Potential Overpayments to Individuals Receiving Concurrent Federal Workers' Compensation*, GAO-15-531, July 8, 2015.

payment amounts and changes and did not update records correctly based on the documents received. We also found SSA updated its records infrequently, sometimes months or years after FECA payment changes occurred because SSA did not effectively control for anticipated future FECA changes.

SSA relies on beneficiaries to self-report FECA changes but did not always inform beneficiaries of the requirement to report changes to SSA. Additionally, SSA beneficiaries can alert SSA to incorrect FECA payments used in the calculation of DI benefits, but SSA did not always provide them sufficient information on the FECA payments it used in its calculations.

While SSA processing center staff gained access to DOL's AQS beginning in January 2006, and FECA offset is a smaller percentage of the overall WC workload the Agency processes, we estimate that SSA improperly paid beneficiaries approximately \$130 million because it did not properly offset their DI benefits because of FECA payments. Our estimate is likely an understatement of the true error rate in FECA offset cases because we only reviewed cases with an indication in SSA's records that the beneficiary was receiving some form of WC. We know from our past audit work that some beneficiaries received FECA payments, and there was no indication within SSA's records that they received any form of WC.

Given the significant amount of potential overpayments, we believe it is in the Agency's interest to determine whether a data matching agreement with DOL is cost-beneficial. SSA will not be able to identify confidently all the beneficiaries who receive concurrent FECA payments without such a match. As we have previously recommended SSA pursue a data match, we are not adding it as a recommendation in this report. We do include other recommendations we believe will lead to more accurate processing of FECA offset cases.

## RECOMMENDATIONS

We recommend that SSA:

1. Develop the 53 cases with errors we identified, which include the 39 cases with improper payments, as appropriate.
2. Assess the cost-effectiveness of requiring that all SSA staff obtain verification of FECA payments from DOL's AQS Website before processing DI claims likely to involve FECA payments. The Agency should specifically include in its analysis the cost of providing its field office staff access to AQS. We continue to believe that a computer matching agreement with DOL would be more cost effective than querying claims on a case-by-case basis. However, until SSA obtains a matching agreement with DOL, this is an alternative approach for obtaining FECA data for each claim.
3. Establish appropriate automatic alerts for FECA cases to ensure FECA COLAs or other payment changes are developed timely.
4. Include reminders to beneficiaries to report FECA payment and other changes in all notices related to FECA offset. SSA should also determine whether it should include similar reminders to beneficiaries who receive other types of WC/PDB.



5. Remind SSA staff to follow all appropriate procedures when developing and recording FECA information in SSA's records.

## AGENCY COMMENTS AND OIG RESPONSE

SSA agreed with Recommendations 1, 3, 4, and 5 but disagreed with Recommendation 2. In disagreeing with the recommendation, SSA stated technicians who process DI claims likely to involve FECA payments already had access to DOL's AQS Website and that increasing access would not improve the quality of the workload. SSA further stated it was working with DOL to develop a computer matching agreement.

As we noted in our conclusion, we believe a computer matching agreement is likely the most cost effective way to improve the accuracy of payments to beneficiaries who receive FECA payments. A computer matching agreement will also make our second recommendation, with which SSA disagreed, unnecessary. However, we believe SSA should expand access to DOL's AQS Website if it does not finalize a data matching agreement with DOL. Field office staff is responsible for entering FECA-related information into SSA's systems used to determine DI payment amounts when initial DI claims and appeals are processed. Absent a data matching agreement, field office staff, who generally do not have access to the AQS website, has to rely on applicants to provide the information. See Appendix C for the Agency's comments.



Rona Lawson for

Steven L Schaeffer, JD, CPA, CGFM, CGMA  
Assistant Inspector General for Audit

# *APPENDICES*



## Appendix A – SCOPE AND METHODOLOGY

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To accomplish our objective, we:

- Reviewed the applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) Program Operations Manual System.
- Obtained from 1 of the 20 segments of SSA's Master Beneficiary Record (MBR) a data extract of 448,571 Title II beneficiaries who were receiving Disability Insurance (DI) benefits as of October 2014. We identified a population of 763 beneficiaries who had workers' compensation/Public Disability Benefit (WC/PDB) coding on their MBR that indicated they were likely to have *Federal Employees' Compensation Act* (FECA) payments as the source of their WC/PDB claim or payments.
- Selected a random sample of 100 beneficiaries.
- Reviewed queries from SSA's MBR, WC/PDB offset datasheet, Certified Electronic Folder, Claims File Records Management System, Online Retrieval System, Modern Claims System, Shared Process Menu Evidence, and Processing Center Action Control System for the 100 beneficiaries.
- Reviewed the Department of Labor's (DOL) Agency Query System (AQS) for the 100 beneficiaries.
- Determined the WC/PDB claim or payment type for the 100 beneficiaries. If a beneficiary received FECA payments, we determined whether the beneficiary received concurrent DI and FECA payments.
- Reviewed the actions SSA took for 65 concurrent DI and FECA payment cases from the time SSA processed the DI claim to the time we reviewed the case. This included reviewing the FECA information SSA entered into its records, the WC/PDB documents SSA obtained when the DI claim was processed and when it last updated its records, and the notices SSA sent to the beneficiaries and their families to inform them of changes to their DI benefits due to WC/PDB offset.
- Determined whether SSA made determinations of overpayments for 65 concurrent DI and FECA payment cases.
- Determined the errors we found on SSA's records based on review of FECA information and DOL's AQS for 65 concurrent DI and FECA payment cases.
- Determined DI benefits after FECA offset using SSA's Interactive Computation Facility WC/PDB: Pre-adjudicative Claim and Interactive Computation Facility Online Computational Earnings screens for 65 concurrent DI and FECA payment cases with risk of improper payments.

- Determined the improper payment amount for the 39 cases found to have improper payments. We only included payments through February 2015 for cases with ongoing FECA payments. For every applicable case, we determined the portion of the improper payment that SSA would not be able to correct after considering the date we reviewed the case and the time limit for correction.

We provided the Agency with information on the results of our work for its review in June 2015. The Agency reviewed six of the cases we determined contained errors. In July 2015, the Agency responded to us that it agreed with the incorrect coding, payment, and processing errors we identified on all six cases it reviewed.

We determined the computer-processed data were sufficiently reliable for our intended use. We conducted tests to determine the completeness and accuracy of the data. These tests allowed us to assess the reliability of the data and achieve our audit objective.

We realize that some DI beneficiaries may have received FECA payments but did not have any coding on their MBR indicating FECA was likely, and they were therefore excluded from our review. However, GAO conducted an audit, *Disability Insurance, Actions Needed to Help Prevent Potential Overpayments to Individuals Receiving Concurrent Federal Workers' Compensation*, that addressed the issue of beneficiaries who do not have coding in their MBR records indicating they receive FECA payments, but they did receive FECA payments.<sup>1</sup> Our data were sufficiently reliable to review SSA's accuracy in processing known FECA cases.

We performed this audit in New York, New York, between March and June 2015. The entity reviewed was the Office of 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 believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

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<sup>1</sup> GAO, *Disability Insurance, Actions Needed to Help Prevent Potential Overpayments to Individuals Receiving Concurrent Federal Workers' Compensation*, GAO-15-531, July 8, 2015.

## Appendix B – SAMPLING METHODOLOGY AND RESULTS

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We obtained from 1 of 20 segments of the Social Security Administration's (SSA) Master Beneficiary Record (MBR) a data extract of 448,571 Title II beneficiaries receiving Disability Insurance (DI) benefits as of October 2014. From this group, we identified a population of 763 beneficiaries likely to have *Federal Employees' Compensation Act* (FECA) as the source of their workers' compensation (WC) payments or Public Disability Benefits (PDB). We selected these beneficiaries from three different groups, as described below.

- We selected all 444 beneficiaries who had an injury composition source of FECA.
- There were 264 beneficiaries with an injury employer or injury payer of Department of Labor (DOL) or FECA. We selected 175 beneficiaries and excluded 89 beneficiaries with the following conditions.
  - Beneficiaries likely to have a Black Lung claim or payment (37 cases). DOL administers the Black Lung Benefits Program.
  - Beneficiaries likely to have a Longshore and Harbor Workers' Compensation claim or payment (17 cases). DOL administers the Longshore and Harbor Workers' Compensation Program.
  - Beneficiaries with an injury employer that appears to be a non-government entity or not DOL (35 cases). For example, the employer appears to be a State department of labor, not the Federal DOL.
- There were 279 beneficiaries with an injury employer or injury payer that was a Federal agency. We selected 144 beneficiaries after excluding 135 beneficiaries with the following conditions.
  - Beneficiaries likely to have a Federal PDB (133 cases). For example, the injury composition source is Federal PDB, and the Office of Personnel Management is the injury employer or injury payer.
  - Beneficiaries likely to have a Black Lung claim or payment (2 cases). For example, the injury composition source is Black Lung.

From the population of 763 beneficiaries we identified, we randomly selected 100 cases to review. We found 65 beneficiaries had concurrent DI benefits and FECA payments. SSA improperly paid 39 of these beneficiaries \$853,179. Specifically, SSA overpaid 28 beneficiaries \$796,846 and underpaid 11 beneficiaries \$56,333.

The 100 beneficiaries selected for review were from one segment of the population. There are 20 MBR segments. We estimate that 5,960 beneficiaries in our entire population had potential improper payments of \$130,195,140 because SSA did not properly offset their DI benefits due to FECA payments.

**Table B-1: Population and Sample Size**

Description	Beneficiaries
Population Size (identified in 1 segment of the MBR)	763
Sample Size	100
Total Population (Population Size x 20 segments)	15,260

**Table B-2: Improper Payments**

Description	Beneficiaries	Amount
Sample Results (for 1 segment)	39	\$853,179
Point Estimate (for 1 segment)	298	\$6,509,757
Projection – Lower Limit	239	\$3,237,255
Projection – Upper Limit	359	\$9,782,258
Population Estimate (Point Estimate x 20 segments)	5,960	\$130,195,140

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

## Appendix C – AGENCY COMMENTS

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## SOCIAL SECURITY

### MEMORANDUM

**Date:** October 29, 2015 **Refer To:** SIJ-3

**To:** Patrick P. O’Carroll, Jr.  
Inspector General

**From:** Frank Cristaudo /s/  
Executive Counselor to the Commissioner

**Subject:** Office of the Inspector General Draft Report, “Accuracy of Disability Benefits to Beneficiaries Who Also Receive Federal Employees’ Compensation Act Payments” (A-02-15-22114)--  
INFORMATION

Thank you for the opportunity to review the draft report. Please see our attached comments.

Please let me know if we can be of further assistance. You may direct staff inquiries to Gary S. Hatcher at (410) 965-0680.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,  
“ACCURACY OF DISABILITY BENEFITS TO BENEFICIARIES WHO ALSO  
RECEIVE FEDERAL EMPLOYEES’ COMPENSATION ACT PAYMENTS”  
(A-02-15-22114)**

**General Comments**

We take seriously our responsibility to effectively, efficiently, and accurately administer our programs. One of our primary responsibilities is to protect the trust fund and tax dollars by curbing improper payments. Approximately one percent of Disability Insurance (DI) benefit payments are overpayments. DI beneficiaries also receiving concurrent Federal Employees’ Compensation Act (FECA) benefits represent one tenth of one percent of our DI overpayments. We agree there is potential for improvement and we are reassessing our current processes.

We initiated dialogue with the Department of Labor (DOL) to develop a new data exchange to access data on FECA payments. Greater reliance on data from authoritative sources, like DOL, will reduce our dependence on beneficiary self-reporting. On October 2, 2015, we received a commitment from DOL to work with us to expedite a review of our data exchange request. Both SSA and DOL are now evaluating the legal and systems requirements for the new exchange so that we can develop a Computer Matching Agreement (CMA) agreeable to both agencies. Our process allows 2-6 months for CMA review, followed by approximately 12 months for implementation of the agreement.

**Recommendation 1**

Develop the 53 cases with errors we identified, which include the 39 cases with improper payments, as appropriate.

**Response**

We agree. By March 31, 2016, we will complete our review of the 53 cases and according to our policy, take the appropriate action.

**Recommendation 2**

Assess the cost-effectiveness of requiring that all SSA staff obtain verification of FECA payments from DOL’s AQS Website before processing DI claims likely to involve FECA payments. The Agency should specifically include in its analysis the cost of providing its field office staff access to AQS. We continue to believe that a computer matching agreement with DOL would be more cost effective than querying claims on a case-by-case basis. However, until SSA obtains a matching agreement with DOL, this is an alternative approach for obtaining FECA data for each claim.

### **Response**

We disagree. As we stated in our general comments, we are making progress with DOL on a data match and believe this will be very beneficial to our workload process. We have determined that increasing access to DOL's Agency Query System (AQS) website will not improve the quality of this workload. The technicians who process this workload already have access to AQS, and we do not plan to assign additional technicians to work these cases. We believe that training and process improvements will improve accuracy. We are considering minor workflow changes to our business process to address accuracy and anticipate completing our evaluation by December 31, 2015.

### **Recommendation 3**

Establish appropriate automatic alerts for FECA cases to ensure FECA COLAs or other payment changes are developed timely.

### **Response**

We agree. We are in the process of evaluating the requirements necessary for implementing a Regular Transcript Attainment and Selection Pass alert to cover FECA Cost of Living Adjustments and other payment changes.

### **Recommendation 4**

Include reminders to beneficiaries to report FECA payment and other changes in all notices related to FECA offset. SSA should also determine whether it should include similar reminders to beneficiaries who receive other types of WC/PDB.

### **Response**

We agree. We already have systems generated language for initial and post entitlement notices for cases involving Workers' Compensation (WC)/Public Disability Benefit (PDB) including FECA WC. The notice language reads, "*Please let us know right away about any changes in your Workers' Compensation/Public Disability Benefit (WC/PDB) payments, lump-sum awards you receive, or other payments you receive that increase or decrease your WC/PDB payment.*"

However, during the course of this audit, we evaluated the production process for the WC/PDB and FECA WC notices and determined the system was not automatically including the notice language, as it should. We are taking action to correct the production issue and expect to complete the correction in calendar year 2016. Once the systems-generated language is properly working, notices to initial and post-entitlement FECA WC beneficiaries will once again automatically include the prescribed notice language.

### **Recommendation 5**

Remind SSA staff to follow all appropriate procedures when developing and recording FECA information in SSA's records.

### **Response**

We agree. We will issue an administrative message reminding staff to follow all appropriate procedures when developing and recording FECA information by March 31, 2016.



## Appendix D – ACKNOWLEDGMENTS

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