
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**ACCURACY OF FISCAL YEAR 2009
TITLE II DISABILITY INSURANCE
BENEFIT PAYMENTS INVOLVING
WORKERS' COMPENSATION OFFSETS**

February 2011

A-04-10-11014

AUDIT REPORT



Mission

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

Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.**
- Promote economy, effectiveness, and efficiency within the agency.**
- Prevent and detect fraud, waste, and abuse in agency programs and operations.**
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.**
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.**

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

Vision

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



SOCIAL SECURITY

MEMORANDUM

Date: February 23, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Accuracy of Fiscal Year 2009 Title II Disability Insurance Benefit Payments Involving Workers' Compensation Offsets (A-04-10-11014)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) accurately offset Title II benefits for Fiscal Year 2009 Disability Insurance (DI) claims that involved State workers' compensation (WC) benefits.

BACKGROUND

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

Workers injured on the job may qualify for DI benefits in addition to benefits under State and Federal WC programs. In general, injured workers receive compensation for lost wages through State WC programs. Each State administers its own WC program. State WC agencies generally adjudicate claims and act as the repository for WC disability claim records. However, employers may purchase WC insurance from private insurance companies, receive it through a State insurance fund, or elect self-insurance.

When an injured worker qualifies for both State WC and Federal DI benefits, the combined benefits could result in workers receiving more in disability payments than they earned before they became disabled. To prevent this, Congress enacted the

¹ 42 U.S.C. §§ 401 and 423.

² 42 U.S.C. § 423.

WC offset provision under section 224 of the Act.³ This provision requires that SSA reduce DI benefits by the amount of any other disability benefit paid under any law or plan of the United States, a State, or a political subdivision. In this instance, SSA reduces the DI benefit based on an offset calculation set forth in its policy and procedures, unless the other disability payment originates from a State with a “reverse offset” law. States with recognized “reverse offset” laws reduce the WC benefit, and the injured worker receives the full DI benefit from SSA.

In June 2004, SSA implemented the Title II Redesign Release 3 (Redesign) to improve the automated processing of Title II initial claims applications and post-entitlement actions, both of which may involve WC offset claims. The Redesign streamlined the WC offset process to reduce manual actions. However, the accuracy of the offset remains dependent on the accuracy of information the employee input to the system.

This is our 14th WC-related report since September 1998. Our previous reviews found significant payment errors involving WC offsets. See Appendix B for a list of our 13 reports.

SCOPE AND METHODOLOGY

We reviewed a random sample of 250 DI claims from a population of 16,669 claims in which SSA’s records indicated a WC offset started between October 1, 2008 and June 30, 2009. In general, SSA’s systems compute changes to WC offsets based on WC information that staff input to beneficiaries’ records. When a WC offset change is calculated, the prior offset is recorded as “stopped,” and the new offset is recorded as “started.”⁴ As such, our population of DI cases involved WC offsets that began, changed, or ended during the audit period.

For 51 (20 percent) of the 250 claims reviewed, we did not locate acceptable evidence of WC benefits in SSA’s records retention systems.⁵ As such, we were unable to test the payment accuracy of these claims.

³ 42 U.S.C. § 424a.

⁴ In certain situations, SSA’s initial WC input actions may result in a subsequent systems-calculated change in a beneficiary’s WC offset amount. For example, SSA systems automatically prorate lump-sum awards and related expenses over an established period (entered into the system by SSA personnel). When this period ends, SSA systems automatically recalculate the WC offset, which may change the DI payment amount.

⁵ As detailed later in this report, acceptable evidence to prove WC benefits may come from various sources and in varying forms, such as a court order or a copy of the WC lump-sum settlement check containing essential details. SSA, Program Operations Manual System (POMS), DI 52145.001(D).

To determine the accuracy of the WC offsets for the 250 sampled cases we

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

Further information regarding our scope and methodology and our sampling methodology is in Appendices C and D, respectively.

RESULTS OF REVIEW

Since November 2006, when we examined a similar population of WC offset cases, SSA's error rate decreased from 17 percent to about 12 percent.⁶ Unfortunately, payment errors continued to exist because SSA did not always accurately process WC offsets. Specifically, 29 (11.6 percent) of the 250 DI claims we reviewed had payment errors. Of the 29 error cases, 15 had underpayments totaling \$60,663, and 14 had overpayments totaling \$57,674. From our population of DI claims in which SSA records indicated a WC offset started between October 1, 2008 and June 30, 2009, we estimate that

- approximately 1,000 DI claims, totaling about \$4 million, had underpayment errors related to the WC offset and
- approximately 933 DI claims, totaling about \$3.8 million, had overpayment errors related to the WC offset calculation.

In addition, 9 of the 29 claims had payment errors that would have continued after June 2010. Based on the number of continuing errors, we estimate that for the 12 months following our audit period, approximately 600 claims had payment errors totaling about \$2.1 million.

Similar to our previous reviews, the payment errors we identified resulted from human error. SSA personnel misinterpreted or incorrectly applied the amount of WC data to the offset calculation.

Finally, for 51 (20 percent) of the 250 claims reviewed, we did not locate independent proof of the WC benefits in SSA's records retention systems. As a result, we could not determine whether SSA offset these DI payments correctly. WC payment information is essential in calculating the amount to offset and is to be maintained indefinitely, as of September 30, 2008.

⁶ SSA OIG, *Title II Disability Insurance Benefits with a Workers' Compensation Offset* (A-04-05-15133), November 22, 2006.

PAYMENT ERRORS

SSA did not always accurately process WC offsets. While we noted improvement since our 2006 review, payment errors continue to exist in DI cases involving WC offset. Specifically, 29 (11.6 percent) of the 250 DI claims we reviewed had payment errors. Of the 29 error cases, 15 had underpayments totaling \$60,663 and 14 had overpayments totaling \$57,674. The payment errors resulted from employee mistakes when processing the WC offset calculations. Specifically, payment errors occurred because SSA personnel

- incorrectly applied WC rates when performing WC calculations,
- used inaccurate WC payment frequencies to calculate WC offsets,
- improperly prorated lump-sum WC settlement agreements,⁷ and
- applied offsets to benefits that should not have been offset.

Table 1 identifies the WC processing errors that resulted in payment errors.

Table 1: Payment Errors Resulting from WC Processing Errors

Type of WC Processing Errors		Payment Errors	Payment Error Dollars		
			Over-Payments	Under-Payments	Total Errors
1	Incorrect Periodic WC Payments	16	\$47,601	\$16,494	\$64,095
2	Incorrect WC Payment Dates	2	400	0	400
3	Incorrect Attorney Expenses	6	9,673	15,511	25,184
4	Incorrect Lump-Sum Proration	2	0	4,552	4,552
5	Reverse Offset Not Recognized	3	0	24,106	24,106
TOTALS		29	\$57,674	\$60,663	\$118,337

In one case, we identified an \$11,973 underpayment. The underpayment occurred because SSA incorrectly applied an offset to the beneficiary's DI benefits. Staff did not recognize that the beneficiary received WC benefits from the State of Florida that qualified for reverse offset. Specifically, the beneficiary received temporary total and permanent total disability benefits from March to August 2008. SSA should not have offset these benefits against the DI payments.

⁷ A lump-sum settlement agreement results in one final payment to the injured worker for all of the remaining WC benefits due. SSA must prorate the lump-sum award to determine the amount and length of time to offset the beneficiary's Title II DI benefits. (SSA, POMS, DI 52150.060.)

In another example, SSA overpaid a beneficiary's auxiliaries⁸ by \$7,989. The overpayment occurred because SSA used an unverified and incorrect monthly WC rate. Specifically, SSA used a flat \$1,472 monthly WC benefit when the verified WC rate was initially \$1,652 and subsequently changed to \$1,619. SSA corrected the beneficiary's records and established an overpayment, which the Agency ultimately waived.

At the time of our review, SSA was still paying 9 of the 29 claims in error. Five cases had continuing underpayments that ranged from \$95 to \$834 per month, and four had continuing overpayments that ranged from \$69 to \$364 per month. We believe the payment errors likely would have continued had we not identified them or a significant event occurred that would have caused SSA to review the cases. Therefore, based on the number of claims with continuing errors, we estimate that for the 12 months following our audit period, approximately 600 claims had payment errors totaling about \$2.1 million.

Critical to the WC offset calculation is the amount of WC benefits paid by the State or insurance carrier and whether they are paid weekly, bi-weekly, or monthly. If SSA personnel apply incorrect WC data in the offset calculation, a payment error is likely to occur. The most reliable way of ensuring the accuracy of WC data is to obtain independent proof of the WC data from the insurance carrier administering the claim. We understand that interpreting the myriad State WC benefits data may be difficult for SSA personnel processing a WC claim. Although most States maintain information regarding the status of WC claims, the employer's insurance carrier also maintains such information as settlement and benefit payments. The insurance carrier's WC information is often only available to SSA in paper record, and the format varies by insurance carrier. Further, obtaining hard copy WC data from a multitude of insurance carriers can be tedious, and the timely receipt of information depends on the responsiveness of the insurance carriers.

As stated earlier, the proper interpretation and application of this information are essential in calculating a correct WC offset. Given the complexity of this process and the continuing error rate in WC claims, we previously recommended that SSA explore alternate methods for obtaining, standardizing, and applying State WC information. We believe such procedures would help reduce improper payments, as required by Executive Order 13520, *Reducing Improper Payments and Eliminating Waste in Federal Programs*, signed by the President in November 2009.⁹ This Order states that agencies "... must make every effort to confirm that the right recipient is receiving the right payment for the right reason at the right time." The Order also adopted a comprehensive set of policies, including transparency and public scrutiny of significant payment errors throughout the Government; a focus on identifying and eliminating the highest improper payments; accountability for reducing improper payments among

⁸ The Social Security program recognizes the claimant and the claimant's family. If the claimant is retired, disabled, or deceased, monthly benefits are paid to an eligible surviving spouse or parent and children. SSA refers to the claimant's family members as "auxiliaries." 42 U.S.C. § 402(b) – (h).

⁹ 74 Fed. Reg. 62201 (November 20, 2009).

Executive Branch agencies and officials; and coordinated Federal, State, and local government action in identifying and eliminating improper payments. In addition, the Order requires that agencies set target goals for reducing improper payments.

OFFSET CASES LACKED PROOF OF WC BENEFITS

Agency personnel did not always document WC benefits paid to the individual under State WC programs. Specifically, for 51 (20 percent) of the 250 sampled DI claims, we could not locate evidence that Agency personnel had obtained independent verification of current WC benefits. Such information is necessary to make an accurate offset calculation. Because verification was not available for these cases, we were unable to determine whether SSA accurately processed the WC offsets.

SSA policy states that if the claimant cannot provide proof of State WC benefits, SSA should obtain verification of payments from the insurance carrier, a State WC agency, or the courts.¹⁰ WC verification can be in various forms, such as a

- printout of benefits from an insurance carrier or State records,
- WC award notice,
- court order,
- copy of a benefits check, or
- WC settlement agreement.

Because WC data often involve complex, State-specific awards, forms, or settlements that require some degree of interpretation and analysis, SSA issued policy effective September 2008 that required permanent retention of all WC evidence.¹¹ SSA typically maintains WC evidence in its Paperless Processing Center system or its Claims File Records Management System—both systems manage electronically imaged documents.¹² We queried these systems and were unable to identify sufficient WC evidence for the 51 of the 250 claims.

At a minimum, SSA should have retained WC evidence for 48 of the 51 cases that lacked evidence. For three cases, the proration of the lump-sum settlement ended during our audit period, but the lump-sum settlement occurred before SSA's policy that required the permanent retention of all WC evidence. As such, SSA may not have retained the WC evidence for these three cases. However, the WC actions for the remaining 48 cases occurred after October 1, 2008. Therefore, the WC evidence

¹⁰ SSA, POMS, DI 52145.001(F).

¹¹ SSA POMS, DI 52145.015.

¹² The Paperless Processing Center system enables SSA's processing service centers to electronically view, track, and route workflow and transfer documents throughout the Agency. The Claims File Records Management System electronically manages records for more than 20 of SSA's claims processing systems.

should have been available in SSA records. For example, in 22 (43 percent) of the 51 cases that did not have WC evidence, the beneficiary's DI began on or after October 1, 2008. SSA should have obtained and maintained WC evidence for all of these cases.

Table 2 details, for the 51 cases, the WC actions that lacked evidence.

Table 2: Actions Resulting in a Change in the WC Offset

WC Action	Number of Cases
Disability Insurance Began	22
Periodic WC Rate Changed	14
Periodic WC Payment Ended	7
Lump-Sum Settlement Started	4
Lump-Sum Settlement Ended	3
Offset Postponed	1
TOTALS	51

SSA recognizes that the WC workload is complex, and obtaining timely and discernable WC information is critical to accurately processing WC offset calculations. SSA has several ongoing efforts to obtain accurate and up-to-date WC data. SSA's efforts include the following.

- **California WC Pilot Program:** SSA was asked to join a workgroup with the California Commission of Health and Safety and Workers Compensation. The workgroup will evaluate the feasibility of a pilot program in which California would share its WC data with SSA.
- **Centers for Medicare & Medicaid Services (CMS) WC Data Match:** SSA is pursuing a data match agreement with CMS. The agreement would enable SSA to obtain WC information maintained in CMS' records.
- **Obtain WC Data from Privately Owned Organizations:** SSA attempted to establish a fee-for-service agreement with a private organization that maintains information on more than 14 million WC claims from 32 States with centralized WC data. Ultimately, the parties did not reach an agreement. SSA efforts to obtain WC data from other organizations encountered challenges related to the amount of fees for service and legal requirements governing the protection of an individual's private information. To date, these challenges have prevented SSA from entering any agreements.
- **Online Access to State WC Data:** SSA established a Web-based WC resource page. The Website provides information as to the type of information available, how to obtain the information, and links to any guides that assist with interpreting the WC information and applying the State's WC provisions. Currently, 14 States provide SSA with online access to some type WC information.

CONCLUSION AND RECOMMENDATIONS

Although SSA's accuracy rate for DI claims involving a WC offset had improved since our 2006 audit, we believe SSA could make further improvements toward reducing payment errors in this workload. The payment accuracy of DI benefits with a WC offset remains dependent on SSA's ability to (1) obtain timely and accurate WC information; and (2) correctly interpret and record the information when processing claims. We acknowledge that SSA recognizes the importance of paying correct benefit amounts to injured workers and that this is part of SSA's goal of providing world-class service and ensuring stewardship of trust fund resources.

In a November 2006 report, *Title II Disability Insurance Benefits with a Workers' Compensation Offset*,¹³ we made three recommendations to help SSA improve the accuracy of the WC offset calculation. We reiterated these recommendations in our September 2008 report, *Accuracy of Title II Disability Insurance Benefit Triennial Redeterminations for 2006*.¹⁴ In its response to our November 2006 report, SSA indicated it would support legislation to simplify the WC offset calculation, work with States to standardize the format in which they report WC data, and explore data exchanges with States that maintain automated WC databases. Although we will not restate these recommendations in this report, we continue to support them and believe that, until such corrective actions are implemented, significant payment errors will continue to occur in WC offset cases.

Specific to this audit, we recommend that SSA implement a cost-effective, risk-based approach to identify error-prone WC offset cases. For these cases, require independent review before the offset decision is effectuated. The review should be conducted by a supervisor or experienced peer and ensure that acceptable WC data were obtained, correctly interpreted and recorded, and maintained in SSA's electronic records retention systems.

AGENCY COMMENTS

SSA agreed with our recommendation. See Appendix E for the full text of SSA's comments.



Patrick P. O'Carroll, Jr.

¹³ SSA OIG, *Title II Disability Insurance Benefits with a Workers' Compensation Offset* (A-04-05-15133), November 22, 2006.

¹⁴ SSA OIG, *Accuracy of Title II Disability Insurance Benefit Triennial Redeterminations for 2006* (A-04-07-17078), September 9, 2008.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Prior Audit Reports

APPENDIX C – Scope and Methodology

APPENDIX D – Sampling Methodology and Results

APPENDIX E – Agency Comments

APPENDIX F – OIG Contacts and Staff Acknowledgments

Acronyms

Act	<i>Social Security Act</i>
CMS	Centers for Medicare & Medicaid Services
DI	Disability Insurance
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
Redesign	Title II Redesign Release 3
SSA	Social Security Administration
U.S.C.	United States Code
WC	Workers' Compensation

Prior Audit Reports

Social Security Administration, Office of the Inspector General, Reports Related to Payment Accuracy in Disability Insurance Claims Involving Workers' Compensation Offsets		
Common Identification Number	Report Title	Date Issued
A-04-96-61013	<i>Effects of State Awarded Workers' Compensation Payments on Social Security Benefits</i>	September 1998
A-04-98-62001	<i>The Social Security Administration Incorrectly Paid Attorney Fees on Disability Income Cases When Workers' Compensation Payments Were Involved</i>	March 2000
A-06-03-13022	<i>The Social Security Administration's Workers' Compensation Data Match with the State of Texas</i>	April 2003
A-08-02-12064	<i>Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments</i>	June 2003
A-04-02-21054	<i>Title II Disability Insurance Benefits with Workers' Compensation Underpayment Errors Exceeding \$70,000</i>	July 2003
A-04-03-13042	<i>The Social Security Administration's Clean-up of Title II Disability Insurance Cases with a Workers' Compensation Offset</i>	October 2004
A-06-05-15024	<i>The Social Security Administration's Match of Disability Insurance Records with Texas Workers' Compensation Payment Data</i>	August 2005
A-08-05-25132	<i>Follow-up of Pending Workers' Compensation: The Social Security Administration Can Prevent Millions in Title II Disability Overpayments</i>	September 2005
A-14-06-16049	<i>Implementation of Workers' Compensation in Title II Redesign Release 3</i>	June 2006
A-04-05-15133	<i>Title II Disability Insurance Benefits with a Workers' Compensation Offset</i>	November 2006
A-04-07-17059	<i>Accuracy of Title II Disability Insurance Benefits Processed with Workers' Compensation Settlements</i>	August 2008
A-04-07-17078	<i>Accuracy of Title II Disability Insurance Benefit Triennial Redeterminations for 2006</i>	September 2008
A-08-09-19167	<i>Follow-up of Pending Workers Compensation Workers' Compensation Settlements</i>	July 2010

Scope and Methodology

We reviewed a random sample of 250 Disability Insurance (DI) claims from a population of 16,669 claims in which the Social Security Administration's (SSA) records indicated a workers' compensation (WC) offset started between October 1, 2008 and June 30, 2009. In general, SSA's systems compute changes to WC offsets based on WC information that staff input to beneficiaries' records. When a WC offset change is calculated, the prior offset is recorded as "stopped," and the new offset is recorded as "started." As such, our population of DI cases involved WC offsets that began, changed, or ended during the audit period.

For 51 (20 percent) of the 250 claims reviewed, we did not locate independent proof of the WC benefits in SSA's records retention systems. As such, we were unable test the payment accuracy of these claims.

To accomplish our audit objective, we:

- Interviewed SSA personnel regarding procedures to process DI claims involving a WC offset.
- Reviewed relevant laws and SSA's policies and procedures.
- Reviewed previous reports pertaining to DI claims with a WC offset.
- Queried SSA's Master Beneficiary Record (MBR) and the Payment History Update System.¹
- Obtained WC verification from SSA's Paperless Processing Center System and Claims File Records Management System.² For those cases lacking WC evidence SSA attempted to obtain the verification from those states that have electronic data available.

¹ SSA establishes an MBR for each claimant. The MBR maintains pertinent information needed to accurately pay benefits to the claimant and all entitled dependents. The information maintained includes identification data (name, Social Security number, date of birth, address), type and date of disability, and monthly disability insurance benefits. The Payment History Update System captures and retains DI payment related actions.

² The Paperless Processing Center system enables SSA's processing service centers to electronically view, track, and route workflow; and transfer documents throughout the Agency. The Claims File Records Management System electronically manages records for more than 20 of SSA's claims processing systems.

To determine the accuracy of the WC offsets for the 250 sampled cases, we verified the WC offset based on the proven WC benefits data. For the cases where the proven WC benefit information did not agree with what SSA used to calculate the WC offset, we:

- Completed SSA's Title II Interactive Computations Facility³ screen to calculate the WC offset and resulting DI benefits.
- Determined the payment error— to do so, we prepared an SSA Form-2204 to compare the benefits paid to the recalculated benefits owed.
- Forwarded all payment error claims to SSA for review and comment.

For nine claims, we determined the payment errors continued after June 30, 2009. During our audit, we informed SSA of the errors. SSA agreed to correct the offset calculation and adjust the DI benefits as needed. These errors would likely have continued had we not identified them or a significant event occurred that would have caused SSA to review the claims. Therefore, we estimated the number of claims and the total amount of the payment error that may have continued for 12 months after our audit period.

The SSA entities reviewed were the Offices of Income Security Programs and Disability Programs under the Deputy Commissioner for Disability and Income Security Programs. The electronic data used for this audit were sufficiently reliable to meet our audit objective. Our tests of internal controls were limited to gaining an understanding of the laws, regulations and policies that govern the processing of DI claims with a WC offset and performing the audit steps identified above. We conducted our audit in Atlanta, Georgia, from August 2009 to September 2010. 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 objectives.

³ The Title II Interactive Computation Facility is an automated system that enables users to perform various computations online.

Sampling Methodology and Results

Sampling Methodology

We reviewed a random sample of 250 Disability Insurance (DI) claims from a population of 16,669 claims in which the Social Security Administration's (SSA) records indicated a workers' compensation (WC) offset started between October 1, 2008 and June 30, 2009. Our population of DI cases involved WC offsets that began, changed, or ended during the audit period.

Sampling Results

Estimation of Payment Errors—DI Claims with a WC Offset Calculation Error

DI Claims With a WC Offset Calculation Error	
Attribute Appraisal Projections	
Population and Sample Data	Number of Claims
Total Population	16,669
Sample Size	250
Payment Errors Resulting in an <u>Underpayment</u>	15
Payment Errors Resulting in an <u>Overpayment</u>	14
Projection to Population – <u>Underpayments</u>	Number of Claims
Lower Limit	625
Point Estimate	1,000
Upper Limit	1,511
Projection to Population – <u>Overpayments</u>	Number of Claims
Lower Limit	572
Point Estimate	933
Upper Limit	1,432

All projections made at the 90-percent confidence level.

DI Claims with a WC Offset Calculation Error	
Variable Appraisal Projections	
Population and Sample Data	Dollar Value of Claims
Total DI claims Involving a WC offset with a Payment Error	\$118,337
Payment Errors Resulting in an <u>Underpayment</u>	\$60,663
Payment Errors Resulting in an <u>Overpayment</u>	\$57,674
Projection to Population – <u>Underpayments</u>	Dollar Value of Claims
Lower Limit	\$1,705,764
Point Estimate	\$4,044,780
Upper Limit	\$6,383,795
Projection to Population – <u>Overpayments</u>	Dollar Value of Claims
Lower Limit	\$1,672,144
Point Estimate	\$3,845,498
Upper Limit	\$6,018,852

All projections made at the 90-percent confidence level.

Estimation of Claims with Continuing Payment Errors

We determined that nine claims had payment errors that continued after June 30, 2010. We believe the payment errors would have likely continued had we not identified them or a significant event occurred that would have caused SSA to review the cases. Based on the number of claims with continuing errors, we estimate that for the 12 months following our audit period, approximately 600 claims had payment errors totaling about \$2.1 million.

Cases with Continuing Payment Errors	
Attribute Appraisal Projections	
Population and Sample Data	Number of Cases
Total Population	16,669
Sample Size	250
Cases with a Continuing Payment Error	9
Projection to Population	Number of Cases
Lower Limit	317
Point Estimate	600
Upper Limit	1,029

All projections made at the 90-percent confidence level.

1-Year Estimate—Cases with Continuing Payment Errors	
Number of Cases with a Continuing Payment Error	9
Continuing Payment Errors for 9 Cases as of June 2010	\$2,594
Average Continuing Payment Error as of June 2010	\$288.22
Estimate of Cases with a Continuing Payment Error in the Population	600
Estimated Continuing Payment Error for June 2010	\$172,933
Estimated Continuing Payment Error for the Following 12-Month Period	\$2,075,196

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: February 8, 2011

Refer To: S1J-3

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

From: Dean S. Landis /s/
Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Accuracy of Fiscal Year 2009 Title II Disability Insurance Benefit Payments Involving Workers' Compensation Offsets (A-04-10-11014)--
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 Chris Molander at (410) 965-7401.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“ACCURACY OF FISCAL YEAR 2009 TITLE II DISABILITY INSURANCE BENEFIT
PAYMENTS INVOLVING WORKERS’ COMPENSATION OFFSETS”
(A-04-10-11014)**

We offer the following comments:

GENERAL COMMENTS

You reviewed workers’ compensation cases that were new, modified or terminated during October 1, 2008 to June 30, 2009. By your estimate, we had an 88 percent accuracy rate during that period, five percent better than you estimated in a similar review two years earlier. We continue to improve, and as you acknowledge, we have several efforts underway to increase accuracy even further.

RESPONSE TO RECOMMENDATION

Recommendation

Implement a cost-effective, risk-based approach to identify error-prone Workers’ Compensation (WC) offset cases. For these cases, require independent review before the offset decision is effectuated. The review should be conducted by a supervisor or experienced peer and ensure the acceptable WC data were obtained, correctly interpreted and recorded, and maintained in SSA’s electronic records retention systems.

Response

We agree. We will modify the WC business process and incorporate an independent peer review for error-prone cases.

COMMENTS ON PRIOR AUDIT REPORT RECOMMENDATIONS

In “Conclusion and Recommendations,” you cite three recommendations included in previous reports and say you continue to support those recommendations. We offer the following updated responses.

Recommendation 1

Support legislation that would simplify and standardize the WC offset calculation.

Response

We continue to work with the Administration to explore ways to simplify and standardize the WC process.

Recommendation 2

Work with States to standardize the format used to report WC benefits to SSA.

Response

We discussed this with the States, and we considered establishing a web-based national program to facilitate standardization. The States were not receptive to our ideas and were reluctant to invest their resources.

We have taken other actions. We created a WC resource webpage, and we use it as a tool in processing WC cases. We also established a cross-component workgroup that meets regularly to explore new ideas for improving our processes.

Recommendation 3

Continue to explore electronic data exchanges with the States that maintain automated WC databases.

Response

We continually explore data exchange opportunities with all States, but some store their data in formats incompatible with our systems. We are exploring other possibilities, such as working with the Centers for Medicare and Medicaid Services to determine if the WC data it collects for Medicare and Medicaid may be of use to us.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Kimberly A. Byrd, Director, Atlanta Audit Division

Frank Nagy, Audit Manager

Acknowledgments

In addition to those named above:

Luis A. Ramírez, Senior Auditor

Joe Cross, IT Specialist

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Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

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

Office of Investigations

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

Office of the Counsel to the Inspector General

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

Office of External Relations

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

Office of Technology and Resource Management

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.