
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**CHILDHOOD DISABILITY BENEFICIARIES
WITH AN INCORRECT WAITING PERIOD**

December 2012

A-09-11-21158

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.

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- 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.**
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MEMORANDUM

Date: December 20, 2012

Refer To:

To: The Commissioner

From: Inspector General

Subject: Childhood Disability Beneficiaries with an Incorrect Waiting Period (A-09-11-21158)

OBJECTIVE

Our objective was to determine whether the Social Security Administration (SSA) awarded childhood disability benefits based on an incorrect waiting period.

BACKGROUND

SSA administers the Old-Age, Survivors and Disability Insurance (OASDI) program under Title II of the *Social Security Act*.¹ This program provides monthly benefits to retired and disabled workers, including their dependents and survivors.

Disabled children age 18 or older may be entitled to childhood disability benefits on a parent's earnings record if they have a disability that began before they reached age 22 and has lasted, or is expected to last, at least 12 consecutive months or result in death. A child must be unmarried and meet the same definition of disability as a disabled worker.² Disabled workers must wait 5 full calendar months to be awarded disability benefits. However, disabled children do not have to wait 5 months.³ As a result, disabled children may receive benefits in the 1st month after their disability began rather than in the 6th month.⁴ In addition, a childhood disability beneficiary is entitled to Medicare coverage after 24 months of entitlement as a disabled child.⁵ Disability determination services (DDS) in each State or other responsible jurisdiction perform disability determinations in accordance with Federal law and underlying

¹ *Social Security Act* § 201 *et seq.*, 42 U.S.C. § 401 *et seq.*

² *Social Security Act* § 202(d), 42 U.S.C. § 402(d); *see also* SSA, POMS, DI 10115.001 (January 22, 2007).

³ SSA, POMS, DI 10115.001 (January 22, 2007) and DI 10115.025 (January 18, 2007).

⁴ *Social Security Act* §§ 202(d) and 223(a), 42 U.S.C. §§ 402(d) and 423(a).

⁵ *Social Security Act* § 226, 42 U.S.C. § 426.

regulations.⁶ If the DDS determines the claimant is disabled, SSA verifies nonmedical eligibility requirements (such as age, employment, marital status, citizenship, residency, and Social Security coverage), computes the benefit amount, and pays benefits.⁷ SSA determines the initial date of entitlement to benefits and the length of the waiting period.

According to SSA's Master Beneficiary Record, as of November 2010, 6,340 disabled children in current pay status may have incorrectly served a 5-month waiting period. About two-thirds of these beneficiaries had a mental disorder, and one-third had a physical or other impairment. From this population, we selected a random sample of 200 beneficiaries for review.

RESULTS OF REVIEW

SSA needs to improve its controls to ensure childhood disability beneficiaries do not serve a 5-month waiting period before entitlement to disability benefits. We found that SSA incorrectly applied a 5-month waiting period before childhood disability beneficiaries became entitled to benefits. Based on our random sample, we estimate that SSA

- established an incorrect initial date of entitlement to disability benefits for 5,104 beneficiaries,
- underpaid 3,202 of the 5,104 beneficiaries about \$7.3 million in childhood disability benefits, and
- established an incorrect initial date of entitlement to Medicare for 4,977 of the 5,104 beneficiaries.⁸

We are 90-percent confident the number of beneficiaries with an incorrect initial date of entitlement to disability benefits ranged from 4,780 to 5,384. We are also 90-percent confident the number of underpaid beneficiaries ranged from 2,825 to 3,578, and the amount of underpayments ranged from \$6.2 to \$8.5 million. In addition, we are 90-percent confident the number of beneficiaries with incorrect Medicare entitlement dates ranged from 4,645 to 5,269 (see Appendix C).

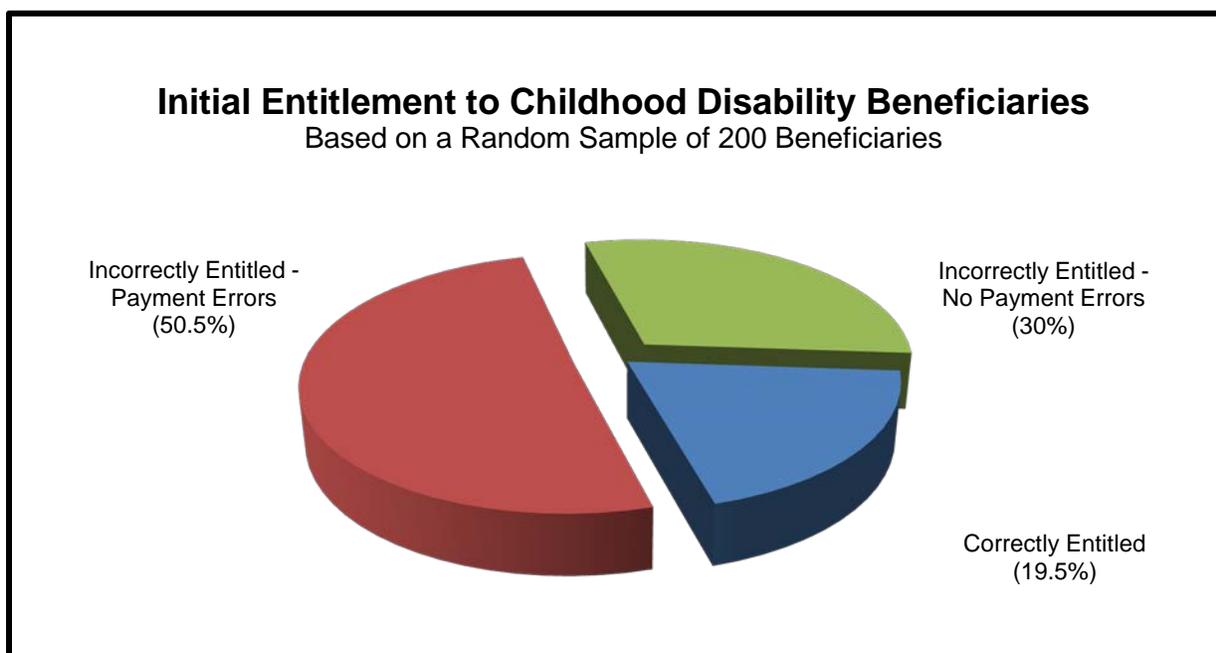
⁶ *Social Security Act* §§ 221 and 1614; 42 U.S.C. §§ 421 and 1382c; see also 20 C.F.R. §§ 404.1601 *et seq.* and 416.1001 *et seq.*

⁷ SSA, POMS, DI 11010.115 (August 8, 2008) and DI 12548.030 (July 2, 2007).

⁸ The number of beneficiaries with an incorrect date of entitlement to childhood disability benefits and Medicare is not mutually exclusive.

Generally, these beneficiaries were entitled to disability benefits and Medicare coverage 5 months sooner than the date SSA established.

Of the 200 childhood disability beneficiaries in our sample, we found that SSA incorrectly applied a 5-month waiting period for 161 (80.5 percent) disabled children. As a result, SSA established an incorrect date of entitlement to disability benefits for all 161 beneficiaries. Of these, SSA underpaid \$231,329 to 101 beneficiaries⁹ and established an incorrect date of entitlement to Medicare for 157 beneficiaries. SSA correctly established the 39 remaining beneficiaries' dates of entitlement to disability benefits and Medicare. The following chart summarizes the results of our review.



INCORRECT DATE OF ENTITLEMENT TO CHILDHOOD DISABILITY BENEFITS

SSA established an incorrect date of entitlement to benefits for 161 (80.5 percent) of the 200 childhood disability beneficiaries in our sample. This occurred because SSA had not established effective controls to preclude disabled children from serving a 5-month waiting period.

⁹ The remaining 60 beneficiaries were correctly paid because they had previously received other Social Security benefits during the 5-month waiting period or the additional benefits payable must be used to reduce overpayments made to other beneficiaries in the same family.

The *Social Security Act* requires that beneficiaries wait 5 full calendar months before they are awarded disability benefits.¹⁰ This period permits most temporary disabilities to be corrected and individuals to show signs of probable recovery.¹¹ Disabled children are exempt from any waiting period and are entitled to benefits the month after their disability begins.¹²

Of the 161 beneficiaries with an incorrect date of entitlement to benefits,

- 108 were entitled to childhood disability benefits under their parents' earnings records,
- 37 were dually entitled to Title II disability benefits based on their own earnings and to childhood disability benefits under their parents' earnings records, and
- 16 were entitled to disability under the Supplemental Security Income (SSI) program and to childhood disability benefits under their parents' earnings records.

Childhood Disability Beneficiaries – We found that 108 beneficiaries were entitled to benefits as a disabled child on their parents' earnings records. These children were disabled before age 22 and should have received benefits immediately or at age 18. Nevertheless, SSA applied a 5-month waiting period before they became entitled to benefits.

For example, in December 2005, a child beneficiary applied for disability benefits. The beneficiary had been receiving child benefits since August 2005. In December 2005, the beneficiary attained age 18, and SSA terminated child benefits. The DDS determined the beneficiary had affective mood disorders at age 17 and established a disability onset date of November 2005. We found that SSA did not entitle the child to disability benefits until May 2006. However, disabled children do not have to serve a 5-month waiting period. As a result, SSA underpaid the beneficiary \$6,620 in childhood disability benefits.

Dually Entitled Beneficiaries – We found that 37 beneficiaries were dually entitled to disability benefits on their own earnings records and as a disabled child on their parents' records. Although the benefits on their own earnings records were subject to a 5-month waiting period, the disabled child's benefits were not.¹³ SSA employees incorrectly applied the 5-month waiting period to both types of benefits.

¹⁰ *Social Security Act* §§ 223(a) and (c)(2), 42 U.S.C. §§ 423(a) and (c)(2).

¹¹ SSA, POMS, DI 10105.070 (March 2, 2011).

¹² *Social Security Act* § 202(d), 42 U.S.C. § 402(d).

¹³ SSA, POMS, DI 10115.001 (January 22, 2007) and DI 10115.025 (January 18, 2007).

For example, in April 2008, a child beneficiary applied for benefits as a disabled worker on his earnings record and as a disabled child on his father's record. The DDS determined the beneficiary had mental disorders at age 20 and established a disability onset date of June 2007. We found that SSA applied a 5-month waiting period to both types of benefits and established a date of initial entitlement of December 2007. However, the beneficiary should have been entitled to childhood disability benefits 5 months sooner in July 2007. As a result, SSA underpaid the beneficiary \$4,360 in childhood disability benefits.

Supplemental Security Income Recipients – We found that 16 beneficiaries were entitled to disability benefits under both the OASDI and SSI programs. SSA policy states that an application for benefits under the SSI program is considered an application for benefits under the OASDI program.¹⁴ For these beneficiaries, SSA employees initially processed the SSI application only and incorrectly applied a 5-month waiting period when they subsequently processed the application for childhood disability benefits.

For example, in March 2002, a child beneficiary applied for SSI payments. The DDS determined the beneficiary had mental disorders at age 18 and established a disability onset date of April 2001. SSA disbursed SSI payments beginning in April 2002. In July 2002, the beneficiary applied for childhood disability benefits. SSA applied a 5-month waiting period and paid childhood disability benefits beginning in October 2001. The date of initial entitlement should have been May 2001. As a result, SSA underpaid the beneficiary \$2,750 in childhood disability benefits.

INCORRECT DATE OF ENTITLEMENT TO MEDICARE

SSA established an incorrect date of entitlement to Medicare for 157 (78.5 percent) of the 200 childhood disability beneficiaries in our sample. Because SSA applied a 5-month waiting period, it did not establish a correct initial date of entitlement to disability benefits. As a result, these beneficiaries should have been entitled to Medicare 5 months sooner than the date SSA established.¹⁵

Medicare provides hospital and medical insurance coverage to individuals age 65 and older and disabled individuals under age 65.¹⁶ A childhood disability beneficiary is entitled to health insurance benefits (Medicare, Part A) and can elect supplementary medical insurance benefits (Medicare, Part B) after 24 months of entitlement as a disabled child.¹⁷

¹⁴ SSA, POMS, SI 00601.035 (October 6, 2011).

¹⁵ The average is 4.7 months and median is 5.

¹⁶ SSA, POMS, HI 00801.001 (March 29, 2001) and HI 00805.001 (November 9, 2004).

¹⁷ SSA, POMS, DI 11020.005 (July 29, 2008) and HI 00801.146 (July 6, 2004).

For the 157 beneficiaries with an incorrect date of entitlement to Medicare, SSA incorrectly applied a 5-month waiting period. After an incorrect date of entitlement to disability is established, the Medicare eligibility date will also be incorrect because the 24-month period is based on the date of entitlement to disability benefits.

CONCLUSION AND RECOMMENDATIONS

SSA needs to improve its controls to ensure childhood disability beneficiaries do not serve a 5-month waiting period before entitlement to disability benefits. We found that SSA incorrectly applied a 5-month waiting period before childhood disability beneficiaries became entitled to benefits. Based on a random sample of 200 beneficiaries in our population, 161 (80.5 percent) had an incorrect date of entitlement to benefits. As a result, we estimate that SSA established an incorrect initial date of entitlement to disability benefits for 5,104 beneficiaries. Of these, we estimate that SSA (1) underpaid 3,202 beneficiaries about \$7.3 million in childhood disability benefits and (2) established an incorrect initial date of entitlement to Medicare for 4,977 beneficiaries (see Appendix C).¹⁸

We recommend that SSA:

1. Take appropriate corrective action for the 161 beneficiaries identified by our audit.
2. Evaluate the results of its corrective action for the 161 beneficiaries and determine whether it should review our population of 6,340 disabled children who may have incorrectly served a 5-month waiting period.
3. Evaluate the results of its corrective actions in Recommendations 1 and 2 and determine whether it should improve controls to ensure childhood disability benefits are awarded without a 5-month waiting period.

AGENCY COMMENTS

SSA agreed with all our recommendations. The Agency's comments are included in Appendix D.



Patrick P. O'Carroll, Jr.

¹⁸ The number of beneficiaries with an incorrect date of entitlement to childhood disability benefits and Medicare is not mutually exclusive.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Sampling Methodology and Results

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgment

Acronyms

C.F.R.	Code of Federal Regulations
DDS	Disability Determination Services
MBR	Master Beneficiary Record
OASDI	Old-Age, Survivors and Disability Insurance
OIG	Office of the Inspector General
POMS	Program Operations Manual System
SSA	Social Security Administration
SSI	Supplemental Security Income
U.S.C.	United States Code

Scope and Methodology

Based on a data extract from the Social Security Administration's (SSA) Master Beneficiary Record (MBR), we identified a population of 6,340 disabled children in current pay status who may have incorrectly served a 5-month waiting period as of November 2010. These beneficiaries had a date of entitlement 6 months after their disability onset date and their parents were either entitled to benefits or deceased. From this population, we selected a random sample of 200 beneficiaries for review.

To accomplish our objective, we

- reviewed the applicable sections of the *Social Security Act*, the United States Code, Federal regulations, SSA's Program Operations Manual System, and other policy memorandums;
- interviewed SSA employees from the San Francisco Regional Office and the Offices of the Chief Actuary and Public Services and Operations Support;
- reviewed queries from SSA's MBR, Modernized Claims System, Supplemental Security Record, and Modernized Supplemental Security Income Claims System; and
- used SSA's Interactive Computation Facility to determine the amount of benefits payable.

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 performed audit work in Richmond, California, and Baltimore, Maryland, between March and August 2012. The entity audited was the Office of Operations under 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 objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Sampling Methodology and Results

From the Social Security Administration’s Master Beneficiary Record, we obtained a data extract of 6,340 disabled children in current pay status who may have incorrectly served a 5-month waiting period as of November 2010. These beneficiaries had a date of entitlement 6 months after their disability onset date and their parents were either entitled to benefits or deceased. We selected a random sample of 200 beneficiaries to determine whether SSA awarded childhood disability benefits based on an incorrect waiting period.

Based on our random sample, we determined that SSA established an incorrect date of entitlement to disability benefits for 161 beneficiaries. As a result, SSA underpaid \$231,329 to 101 beneficiaries and established an incorrect date of entitlement to Medicare for 157 beneficiaries.

Projecting these results to our population of 6,340 beneficiaries, we estimate that SSA established an incorrect initial date of entitlement to disability benefits for 5,104 beneficiaries. Of these, we estimate that SSA (1) underpaid 3,202 beneficiaries about \$7.3 million in childhood disability benefits and (2) established an incorrect initial date of entitlement to Medicare for 4,977 beneficiaries.

The following tables provide the details of our sample results and statistical projections.

Table C-1 – Population and Sample Size

Description	Number of Beneficiaries
Population Size	6,340
Sample Size	200

Table C-2 – Beneficiaries with Incorrect Date of Entitlement to Disability Benefits

Description	Number of Beneficiaries
Sample Results	161
Point Estimate	5,104
Projection - Lower Limit	4,780
Projection - Upper Limit	5,384

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

Table C-3 – Beneficiaries Entitled to Additional Disability Benefits

Description	Number of Beneficiaries	Amount of Underpayments
Sample Results	101	\$231,329
Point Estimate	3,202	\$7,333,126
Projection - Lower Limit	2,825	\$6,207,840
Projection - Upper Limit	3,578	\$8,458,412

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

Table C-4 – Beneficiaries with Incorrect Date of Entitlement to Medicare

Description	Number of Beneficiaries
Sample Results	157
Point Estimate	4,977
Projection - Lower Limit	4,645
Projection - Upper Limit	5,269

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

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: December 6, 2012 **Refer To:** SIJ-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, "Childhood Disability Beneficiaries with an Incorrect Waiting Period" (A-09-11-21158)—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 Amy Thompson at (410) 966-0569.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“CHILDHOOD DISABILITY BENEFICIARIES WITH AN INCORRECT WAITING
PERIOD” (A-09-11-21158)**

Recommendation 1

Take appropriate corrective action for the 161 beneficiaries identified by our audit.

Response

We agree.

Recommendation 2

Evaluate the results of its corrective action for the 161 beneficiaries and determine whether it should review our population of 6,340 disabled children who may have incorrectly served a 5-month waiting period.

Response

We agree.

Recommendation 3

Evaluate the result of its corrective actions in recommendation 1 and 2 and determine whether it should improve controls to ensure childhood disability benefits are awarded without a 5-month waiting period.

Response

We agree. We will review the results of Recommendation 1 and determine if we need improved controls.

OIG Contacts and Staff Acknowledgment

OIG Contacts

James J. Klein, Director, San Francisco Audit Division

Jack H. Trudel, Audit Manager

Acknowledgment

In addition to those named above:

Andrew Hanks, Program Analyst

For additional copies of this report, please visit our Website at <http://oig.ssa.gov/> or contact the Office of the Inspector General's Public Affairs Staff at (410) 965-4518. Refer to Common Identification Number A-09-11-21158.

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