

Incorrect Payments to Disabled Beneficiaries Who Return to Work

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Office of Audit Report Summary

Objective

To determine the amount and cause of incorrect payments issued to disabled beneficiaries who work after the Trial Work Period (TWP).

Background

When a disabled beneficiary works, the Social Security Administration (SSA) conducts a work continuing disability review (CDR) to determine whether the beneficiary can engage in substantial gainful activity (SGA).

When conducting a work CDR, SSA must consider the effect of work incentives, such as the TWP. The TWP allows disabled beneficiaries to test their ability to work without the threat of losing benefits. The TWP is complete when a beneficiary works 9 months above an established limit within a rolling 60-month period.

After the TWP ends, the Extended Period of Eligibility (EPE) begins. During the first 36 months of the EPE—the re-entitlement period—SSA evaluates monthly earnings based on the SGA threshold. After a one-time grace period, SSA suspends benefits for any month earnings exceed the SGA threshold. If earnings exceed the SGA threshold after the re-entitlement period, SSA terminates benefits.

SSA stated overpayments occur when individuals fail to report earnings in a timely manner or SSA does not process work CDRs properly.

Findings

Of the 200 sampled beneficiaries, SSA determined 97 had earnings that exceeded SGA after the TWP. Of the 97, SSA incorrectly paid 77. The Agency also incorrectly paid one beneficiary because it erroneously determined earnings had not exceeded SGA. In all, SSA incorrectly paid these 78 beneficiaries almost \$1.3 million. Of the overpaid amount, SSA incorrectly paid

- almost \$446,000 because of its own processing delays and errors and
- over \$823,000 because of beneficiaries' reporting failures.

We estimate SSA overpaid over \$571 million to over 35,000 beneficiaries who completed a TWP in 2012. Of the overpaid amount, SSA incorrectly paid almost \$201 million because it failed to process work CDRs correctly or within its processing time goal and almost \$371 million because beneficiaries failed to report their earnings, as required.

At the time of our review, SSA was taking steps to address the systemic problems in its work CDR process. Specifically, SSA had begun developing new systems based on recent legislation and implemented a new program to reduce work-related overpayments.

Recommendations

We made five recommendations, including that SSA take steps to address issues of accuracy and timeliness in its work CDR process.

SSA agreed with our recommendations.