

The Social Security Administration's Use of Averaging When it Determined Substantial Gainful Activity for Disabled Beneficiaries

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Office of Audit Report Summary

Objective

To determine whether the Social Security Administration's (SSA) policy for averaging earnings ensured staff made accurate and consistent substantial gainful activity (SGA) determinations.

Background

When a disabled beneficiary has earnings from work activity, SSA conducts a work continuing disability review (CDR) to determine whether the beneficiary engaged in SGA. SGA describes a level of work activity and earnings. Work is "substantial" if it involves significant physical or mental activities and earnings exceed the SGA threshold.

The Code of Federal Regulations states SSA can average earnings for a period of work when it determines whether a disabled beneficiary engaged in SGA. During the period for which SSA averages earnings, the beneficiary must have worked continuously, without a significant change in work pattern or earnings. SSA has not established a monetary earnings amount that represents a significant change. However, policy directs staff to consider whether the beneficiary changed positions, job duties, or hours when determining whether a significant change occurred. If SSA finds the beneficiary's monthly earnings average is below the SGA threshold, it pays benefits for all months.

Findings

Of the 200 sampled beneficiaries, we identified 58 for whom SSA applied averaging inconsistently or incorrectly when it made SGA determinations. Of these, SSA made questionable payments to 51 based on its SGA determination.

SSA issued or withheld payments totaling over \$651,000 because it did not apply averaging provisions consistently. As a result of the questionable determinations, SSA

- paid benefits, totaling more than \$607,000, to 40 beneficiaries and
- withheld benefits, totaling more than \$44,000, from 7 beneficiaries.

SSA's policy allows employees to exercise their own judgment and discretion when deciding whether to average earnings. As a result, the policy for averaging earnings results in decisions that are not consistent and equitable among beneficiaries.

We estimate SSA applied averaging provisions inconsistently to more than 30,000 beneficiaries. This led to questionable benefit payments or withholding totaling almost \$419 million.

Additionally, SSA made errors while processing the work CDRs for five beneficiaries that caused it to calculate average earnings amounts incorrectly. Based on these errors, SSA incorrectly paid four of the beneficiaries more than \$382,000.

Recommendation

We recommend SSA establish objective criteria for staff to follow when averaging earnings to minimize inequity and unfairness in its determinations. SSA agreed with our recommendation.

Agency Actions Resulting from the Audit

In February 2019, we provided the Agency with the five cases on which we identified errors it made while processing work CDRs. In April 2019, SSA informed us it had taken corrective actions on these cases. We reviewed the cases and determined SSA had either taken or initiated the appropriate corrective actions.