

Payments Resulting from Disability Insurance Actions Processed Via Manual Adjustment, Credit and Award Processes

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Office of Audit Report Summary

Objective

To determine whether Disability Insurance (DI) payments resulting from actions completed through the Manual Adjustment, Credit and Award Processes (MADCAP) were accurate and approved.

Background

The Social Security Administration (SSA) administers the Old-Age, Survivors and Disability Insurance program under Title II of the *Social Security Act*, as amended. SSA's automated systems process monthly DI payments. However, when the automated systems cannot completely process an action, authorized technicians at SSA's program service centers (PSC) must manually process the actions through the MADCAP system. For example, authorized PSC employees may establish an individual's Master Beneficiary Record (MBR); initiate payment of DI benefits; update or correct information on the MBR (which may alter the monthly benefit amount); and terminate benefits through the MADCAP system.

Our Findings

The error rate for DI MADCAP payment transactions we reviewed was 4 percent—an improvement of 50 percent over our previous report in which we identified an 8-percent error rate. Specifically, of the 250 randomly sampled MADCAP payments, 11 (4 percent) had payment errors totaling \$32,867—\$15,525 in overpayments and \$17,342 in underpayments. Although the overall precision of these complex transactions is relatively high, the 4-percent error rate still resulted in large payment errors. We estimate that approximately 18,980 MADCAP payments over \$1,000 issued from October 1, 2010 to September 30, 2011 had payment errors totaling \$56.7 million. The MADCAP payment errors we identified resulted from mistakes in processing various claims actions. In general, these mistakes seemed to occur because SSA staff did not recognize all the factors that affect DI benefits.

Additionally, MADCAP payments of \$6,000 or more did not always have documentation of the required approvals. Of the 250 randomly selected MADCAP payments, 110 were for \$6,000 or more and required appropriate review and approval. However, 82 (74.5 percent) of these payments lacked documentation to substantiate the review and approval of the actions taken and the payment amount.

Our Recommendations

1. Issue a reminder to PSC staff, and consider conducting additional training, regarding the unique requirements of DI MADCAP payment actions.
2. Ensure that all Benefit Authorizers' reviews and approvals of MADCAP payments in excess of \$6,000 are documented and retained in SSA's paperless document retention system.
3. Take action on the 11 error cases to collect identified overpayments or issue underpayments to the beneficiaries.

SSA agreed with our recommendations.