

GAO

Report to the Chairman, Committee on
Finance, U.S. Senate

September 2004

DISABILITY INSURANCE

SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments





Highlights of [GAO-04-929](#), a report to the Chairman, Committee on Finance, U.S. Senate

Why GAO Did This Study

The Social Security Administration's (SSA) Disability Insurance (DI) program is one of the nation's largest cash assistance programs for disabled workers. In fiscal year 2003, the DI program provided about \$70 billion in financial assistance to approximately 7.5 million disabled workers, their spouses, and dependent children. This program has grown in recent years and is poised to grow further as the baby boom generation ages. The Senate Committee on Finance asked GAO to (1) determine the amount of overpayments in the DI program, particularly those attributable to earnings or work activity, and (2) identify any vulnerabilities in SSA's processes and policies for verifying earnings that may contribute to work-related overpayments.

What GAO Recommends

GAO is making recommendations to the Commissioner of Social Security directing the agency to explore new tools and data sources that can be used to more effectively detect and prevent earnings-related overpayments. SSA agreed with GAO's recommendations and provided information on several initiatives that are planned or underway to address them, such as a new computer match using information from the Office of Child Support Enforcement's National Directory of New Hires to verify beneficiaries' earnings in a more timely manner.

www.gao.gov/cgi-bin/getrpt?GAO-04-929.

To view the full product, including the scope and methodology, click on the link above. For more information, contact Robert E. Robertson at (202) 512-7215 or robertsonr@gao.gov.

DISABILITY INSURANCE

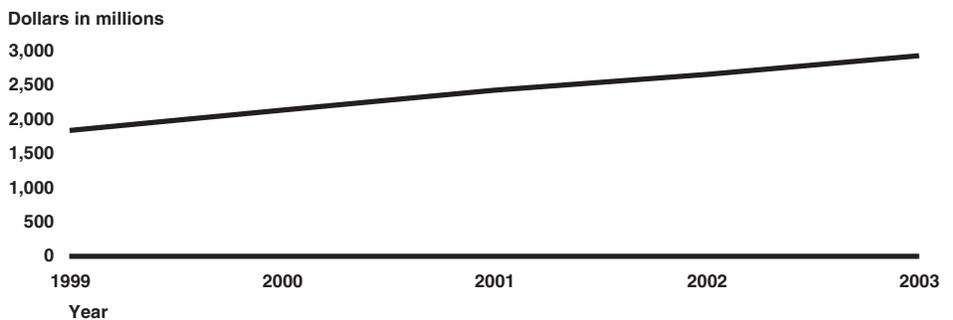
SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments

What GAO Found

Overpayment detections in the DI program increased from \$772 million in fiscal year 1999 to about \$990 million in 2003. The true extent of overpayments resulting from earnings that exceed agency guidelines is currently unknown. Based on available data from SSA, GAO found that about 31 percent of all DI overpayments are attributable to DI beneficiaries who worked and earned more than allowed. Moreover, GAO found that these overpayments contributed to mounting financial losses in the program. From 1999 to 2003, total overpayment debt increased from about \$1.9 billion to nearly \$3 billion.

Three basic weaknesses impede SSA's ability to prevent and detect earnings-related overpayments. First, the agency lacks timely data on beneficiaries' earnings and work activity. Second, SSA uses inefficient processes to perform work continuing disability reviews (work CDRs). Third, the agency relies on potentially inaccurate management information to effectively monitor and oversee some parts of this workload. These weaknesses contributed to some work CDR cases GAO identified that were as much as 7 years old, resulting in potential and established overpayments as large as \$105,000 per beneficiary. In addition, GAO found that SSA relies on potentially inaccurate management information to administer its work CDR workload. SSA is developing new automated systems that may potentially address some of these problems and could help the agency balance the important goals of encouraging individuals with disabilities return to work, while also ensuring program integrity. However, it is too early to determine how effective such systems will be.

Total Overpayment Debt Is Increasing (1999–2003)



Source: GAO analysis based on SSA data.

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Abbreviations

CDR	continuing disability review
DDS	Disability Determination Service
DI	Disability Insurance
IRS	Internal Revenue Service
NDNH	National Directory of New Hires
OCO	Office of Central Operations
OCSE	Office of Child Support Enforcement
OIG	Office of Inspector General
PSC	Program Service Center
SSA	Social Security Administration
SGA	substantial gainful activity
SSI	Supplemental Security Income

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United States Government Accountability Office
Washington, DC 20548

September 10, 2004

The Honorable Charles E. Grassley
Chairman, Committee on Finance
United States Senate

Dear Mr. Chairman:

The Social Security Administration's (SSA) Disability Insurance (DI) program is one of the nation's largest cash assistance programs for disabled workers. In fiscal year 2003, the DI program provided about \$70 billion in financial assistance to approximately 7.5 million disabled workers, their spouses, and dependent children. This program has grown in recent years and is poised to grow further as the baby boom generation ages. Given the concerns about the long-term solvency of the DI trust fund, it is important for SSA to ensure that only truly eligible individuals receive benefits.

SSA guidelines state that DI beneficiaries are permitted to earn up to \$810 per month in calendar year 2004—a level of earnings referred to as substantial gainful activity (SGA)¹—for a limited period of time without losing eligibility for benefits. After completing a 9-month “trial work period,” beneficiaries who earn more than SGA are generally ineligible for future DI payments, and may be overpaid if SSA does not stop their benefits in a timely manner. The potential of having to repay a large overpayment may discourage some beneficiaries from continuing to work, thus running contrary to SSA's goal of helping such individuals become self-sufficient. SSA conducts continuing disability reviews (CDR) of beneficiaries' earnings and work activity to determine whether a claimant remains financially eligible for DI benefits.² The agency refers to these reviews as “work CDRs.” These reviews generally require SSA staff to perform several steps to assess beneficiaries' continuing eligibility for benefits, including mailing notices to beneficiaries requesting information about their work activity, contacting the beneficiaries' employer(s) to

¹The SGA level changes annually. For example, SGA in calendar year 2003 was \$800 per month.

²SSA also conducts “medical” CDRs to evaluate whether a beneficiary has medically improved to the point where they are able to work.

verify their monthly earnings, and assessing several variables that can affect eligibility, including employer subsidies and work-related expenses.

Given the importance of verifying DI beneficiaries' earnings to ensure they receive the correct amount of benefits, the Senate Committee on Finance asked us to (1) determine the amount of overpayments in the DI program, particularly those attributable to earnings or work activity, and (2) identify any vulnerabilities in SSA's processes and policies for verifying earnings that may contribute to work-related overpayments. To answer these questions, we used an approach similar to the methodology in our prior reviews of SSA's Supplemental Security Income (SSI) program.³ In particular, we reviewed DI performance data, prior reports by SSA and its Office of Inspector General (OIG), external research studies, and our prior reviews on the program. We analyzed DI payment data over a 5-year period from 1999 to 2003 and examined between 5 and 7 work CDR cases from each of the SSA field offices and program service centers we visited. In addition, we randomly selected and reviewed 71 work CDR cases from one of SSA's program service centers to determine if they were processed in accordance with program guidelines. Finally, we conducted in-depth interviews with 230 management and line staff from SSA's headquarters; its regional offices in New York and San Francisco; 18 field offices in 6 states—California, Florida, Maryland, Massachusetts, New York, and Virginia; and 3 out of 8 regional program service centers.⁴ During our meetings, we (1) examined existing work CDR procedures; (2) documented management and staff views on the effectiveness of SSA's work CDR processes for detecting and preventing earnings-related overpayments; and (3) discussed potential improvements to existing program processes, systems, and policies. We assessed the reliability of all databases used in our review, and found them to be sufficiently reliable for the purposes of this report. See appendix I for details on the scope and methodology of our review. We performed our work from September 2003 through June 2004 in accordance with generally accepted government auditing standards.

³We designated SSI a high-risk program in 1997 after several years of reporting on specific instances of abuse and mismanagement, increasing overpayments, and poor recovery of outstanding debt. SSA subsequently made several changes to improve SSI program integrity. We removed SSI from our high-risk list in 2003.

⁴The program service centers (PSC) are responsible for a variety of activities, including work CDRs.

Results in Brief

Overpayment detections in the DI program increased from about \$772 million in fiscal year 1999 to about \$990 million in 2003. The true extent of overpayments resulting from earnings that exceed agency guidelines is currently unknown, but could be higher than available data indicate. On the basis of data from a recent SSA study, we estimate that about 31 percent of all DI overpayments are attributable to DI beneficiaries who worked and earned more than SGA. Moreover, we found that these overpayments contributed to mounting overpayment debt, which increased from about \$1.9 billion to nearly \$3 billion during the same period. Although SSA increased overpayment collections during this time, our analysis shows that overpayment waivers (overpayments that SSA decides not to collect) and write-offs (overpayments that SSA determines cannot be collected) also increased. Thus, financial losses are mounting, contributing to a widening gap between total overpayment debt and annual overpayment collections.

Three basic weaknesses impede SSA's ability to prevent and detect earnings-related overpayments: The agency (1) lacks timely data on beneficiaries' earnings and work activity, (2) uses inefficient processes to perform work CDRs, and (3) relies on potentially inaccurate management information to manage a portion of its work CDR workload. First, SSA's main source of earnings verification for the DI program is derived from matching its own earnings database with Internal Revenue Service (IRS) wage data, which is typically 12-18 months old when it is first available to SSA. The agency does not currently have the authority to conduct computer matches with the Office of Child Support Enforcement's National Directory of New Hires—a database with more timely wage information. Second, SSA uses inefficient processes to perform work CDRs. In particular, the agency lacks an effective screen to help identify cases most likely to result in large overpayments. Nor does the agency have an automated alert system that could notify field offices and program service centers about cases at high-risk for overpayments. Finally, SSA relies on potentially inaccurate management information to effectively administer its CDR workload. In particular, its data may not accurately reflect the age and disposition of its work CDR workload, or the time it actually takes to process them. These vulnerabilities may contribute to the "old" cases we identified in many SSA field offices, some of which were as much as 7 years old, resulting in large individual overpayments totaling between \$28,000 and \$105,000. Moreover, we found that SSA has difficulty balancing competing workloads—particularly in its field offices where staff resources are limited and staff have numerous different duties—that may contribute to some of the old cases we observed. SSA is developing new automated systems that could potentially address some of these

problems by helping the agency manage its disability workload more efficiently, but it is too early to determine if these initiatives will address the weaknesses we identified.

Work CDRs can be complex and time-consuming for SSA staff to perform. We recognize that ensuring program integrity while focusing on the important goal of returning individuals with disabilities to work presents additional challenges for SSA. However, there are several areas where we believe SSA can make improvements. Accordingly, we are recommending that the Commissioner of Social Security direct the agency to explore new tools and more timely data sources that can be used to more effectively detect and prevent earnings-related overpayments.

SSA agreed with our recommendations and provided information on several initiatives that are planned or underway to address them.

Background

The DI program was established in 1956 to provide monthly cash benefits to individuals who were unable to work because of severe long-term disability. In fiscal year 2003, SSA paid about \$70 billion to 7.5 million disabled workers, their spouses, and dependents, with average monthly cash benefits of about \$723 per beneficiary.⁵ To be eligible for benefits, individuals with disabilities must have a specified number of recent work credits under Social Security when they first became disabled. Individuals may also be able to qualify based on the work record of a deceased, retired, or disabled parent, or a deceased spouse. Benefits are financed by payroll taxes paid into the Federal Disability Insurance Trust Fund by covered workers and their employers, based on the worker's earnings history. To meet the definition of disability under the DI program, an individual must have a medically determinable physical or mental impairment that (1) has lasted or is expected to last at least 1 year or to result in death and (2) prevents the individual from engaging in substantial gainful activity. Individuals are engaged in SGA if they have earnings above \$810 per month in calendar year 2004.⁶ Program guidelines require DI beneficiaries to report their earnings to SSA in a timely manner in order to ensure that they remain eligible for benefits.

⁵ Average benefit figure was reported for December 2003.

⁶ SGA for blind beneficiaries is \$1,350 per month.

SSA conducts work issue CDRs to determine if beneficiaries are working above the SGA level.⁷ SSA initiates a work CDR only after the beneficiary has completed a 9-month trial work period, during which the beneficiary is allowed to earn more than the SGA level without affecting their eligibility for benefits.⁸ The trial work period is one of several provisions in the DI program intended to encourage beneficiaries to return to work. The trial work period begins with the first month a beneficiary is eligible for DI benefits. Once the trial work period is completed, beneficiaries are generally ineligible for future DI benefits unless their earnings fall below the SGA level.⁹

Work CDRs are triggered by several types of events, although most are generated by SSA's Continuing Disability Review Enforcement Operation (enforcement operation). This process involves periodic computer matches between SSA's administrative data and IRS wage data. The enforcement operation generates notices for cases that exceed specified earnings thresholds,¹⁰ which are forwarded to 1 of 8 program service centers for additional examination.¹¹ The cases at each program service center are then temporarily housed in a central repository (called the computer output section) and are released to "earnings reviewers" for

⁷We use the term "work CDRs" to describe instances in which SSA staff perform limited development of beneficiary earnings because they determine that a full work CDR is not necessary (an activity that SSA refers to as a "work CDR action"), as well as "full" work CDRs in which a case is fully developed and staff fill out specific forms to receive work credit for completing a work CDR.

⁸The trial work period allows beneficiaries to work for 9 months (not necessarily consecutive) within a 60-month rolling period during which they may earn any amount without affecting benefits.

⁹To provide additional incentives to encourage work, beneficiaries who have completed their trial work period are entitled to a 36-month extended period of eligibility during which they may receive benefits for any month in which their earnings fall below SGA. Other work incentive provisions allow SSA to deduct certain impairment-related work expenses and employer subsidies from beneficiaries' earnings determination. SSA staff must consider all these provisions when assessing whether beneficiaries' earnings constitute SGA.

¹⁰SSA currently uses six times the SGA amount, or \$4,860 as the annual test level to screen out beneficiaries whose earnings amount would not likely affect their DI benefits.

¹¹Most cases (about 60 percent) are sent to the program center in SSA's Office of Central Operations (OCO). OCO is responsible for handling beneficiaries who are less than 55 years of age. According to SSA officials, these beneficiaries tend to work more frequently and have more employers than older beneficiaries, thus making the cases more complicated to process. The remaining cases for beneficiaries older than 55 are sent to one of the remaining 7 program service centers.

development of work activities. Cases are generally released for development on a first-in-first-out basis, based on how long they have been in the central repository, and according to staff workloads. After initial review, cases for which individuals may require cessation of benefits are generally forwarded to a “disability processing specialist” for additional development.¹²

Work CDRs can also be triggered by other events. For example, SSA requires beneficiaries to undergo periodic medical examinations to assess whether they continue to be physically disabled.¹³ During such reviews, Disability Determination Service staff sometimes discover evidence that indicates the beneficiary may be working and usually forwards the case to an SSA field office or program service center for earnings/work development. Additional events that may trigger a work CDR include reports from state vocational rehabilitation agencies, other federal agencies, and anonymous tips. Finally, DI beneficiaries may voluntarily report their earnings to SSA by visiting an SSA field office, or calling the agency’s toll free “800” number.

Several SSA components are involved in processing work CDRs. While most are initially sent to SSA’s program service centers as a result of the enforcement operation, some cases are referred to any one of SSA’s more than 1,300 field offices for more in-depth development. Field offices also tend to be the focal points for work CDRs generated by events other than the enforcement operation. Work CDRs can entail labor-intensive, time-consuming procedures such as reviewing folders, performing in-person interviews, and contacting beneficiaries and their employers to verify their monthly earnings. Staff are also required to take into consideration several complex work incentive provisions when calculating whether earnings

¹²“Disability processing specialists” work in SSA’s program service centers and are responsible for determining if benefits should be discontinued and whether an overpayment exists. “Earnings reviewers” in the program centers are generally responsible for initial analysis of a beneficiary’s earnings; however, only disability processing specialists have the authority to cease benefits. In SSA’s field offices, the claims representatives are responsible for the duties performed by both the disability processing specialist and the earnings reviewer.

¹³SSA contracts with state Disability Determination Services (DDS) that are responsible for assessing whether an individual is medically disabled (a “medical” CDR). During the course of a medical CDR, DDS examiners sometimes find evidence that a beneficiary may be working. Medical CDRs are costly to perform and such cases are typically referred to an SSA field office or PSC for financial development before additional medical development is performed.

exceed SGA.¹⁴ In addition, staff—particularly in SSA field offices—are also required to balance numerous competing workloads, including processing initial claims, serving individuals who walk into the field office without an appointment, meeting with beneficiaries who have requested an appointment, and processing a “special disability workload.”¹⁵

Overpayments in the DI Program Are Substantial and Have Increased in Recent Years

DI overpayment detections increased from about \$772 million to about \$990 million between fiscal years 1999 and 2003. These overpayments included a substantial amount due to beneficiaries who worked and earned more than SGA. Our analysis of available overpayment data shows that, on average, beneficiaries with earnings over program guidelines constitute about 31 percent of all DI overpayments. These overpayments also contributed to mounting financial losses in the DI program. Total overpayment debt increased from about \$1.9 billion to nearly \$3 billion from fiscal years 1999 to 2003. SSA overpayment collections increased from about \$269 million to about \$431 million during the same period. However, our analysis shows that waivers and write-offs also increased during this period.

Overpayments Due to Beneficiary Earnings above SGA May Be More Prevalent than SSA Currently Detects

Total DI overpayment detections increased from about \$772 million to about \$990 million between fiscal year 1999 to 2003 (see fig. 1) including a substantial proportion due to beneficiary earnings.¹⁶ On the basis of data in a recent study from SSA, we calculated that overpayments attributable to work and earnings averaged about 31 percent of all DI overpayments annually between 1999 and 2002. We consulted SSA officials about our calculations to determine if they were accurate. These officials agreed that the estimate is generally accurate based on limited available data, but likely understates the true extent of the problem. In particular, SSA officials acknowledged that their study only examined beneficiaries who had their benefits suspended or terminated following a work CDR; it did

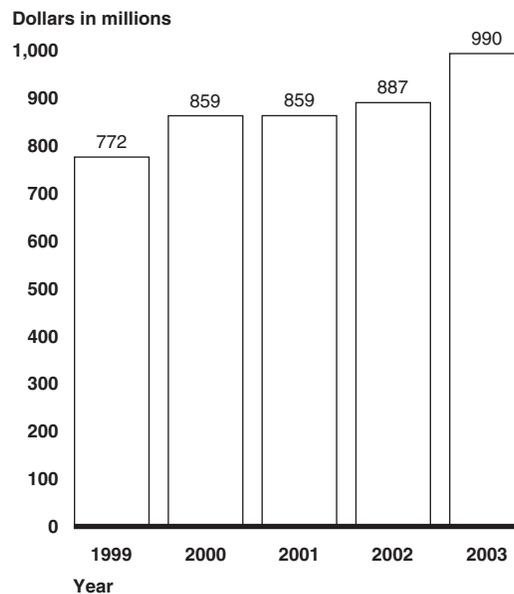
¹⁴These provisions include tracking the 9-month “trial work period” and an “extended period of eligibility,” as well as calculating “impairment related work expenses” and “employer subsidies.”

¹⁵This workload is comprised of about 500,000 SSI recipients who at some point became eligible for DI. However, the SSI administrative systems failed to identify these cases. SSA is now focusing resources on processing this workload.

¹⁶Overpayments may also be caused by other types of events, including receipt of workers compensation benefits, being in prison while receiving benefits, and medical improvement to the point where the individual is no longer disabled.

not consider individuals who may have been overpaid but continued to receive benefits. A beneficiary may be overpaid, but not placed in suspended or terminated status because (1) SSA waived the overpayment, (2) the case was still being processed, or (3) the individual became unemployed and returned to the DI rolls. Our review identified several such cases in numerous field offices. For example, one case we examined involved a beneficiary who was selected for review by the enforcement operation every year from 1998 to 2001. Other than notations on the individual's account that the case was selected for review, there was no evidence that a work CDR was ever conducted. In February 2003, program service center staff transferred the case to a field office to have the recipient's earnings reviewed. However, field office staff were unable to contact the recipient and the case was transferred back to the program service center in August 2003. As of March 2004, the case was still being reviewed and waiting final SSA action. SSA officials told us that this individual should have had an overpayment listed for the time between December 1999 and September 2001. However, at the time of our review, no overpayment had yet been established and, therefore did not appear in SSA's overpayment detection data for those years. Ultimately, we estimate that this case will likely result in a \$64,000 overpayment once it is fully developed and completed.

Figure 1: Total DI Overpayment Detections Have Increased (1999–2003)

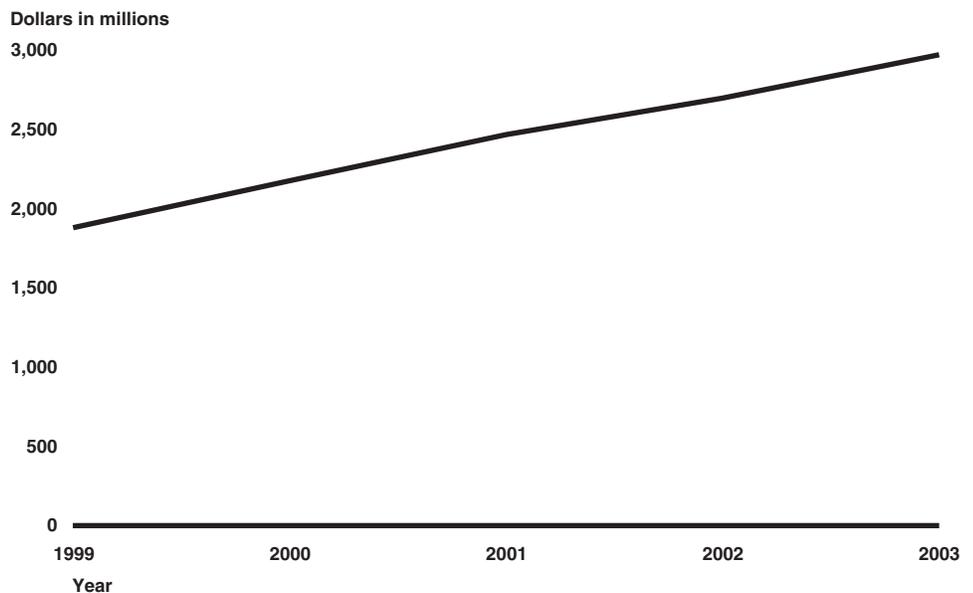


Source: GAO analysis based on data from SSA's Office of Finance, Assessment, and Management.

Although SSA Has Improved Its Collection Efforts, Financial Losses Are Mounting

The increase in DI overpayments from 1999 to 2003 has contributed to mounting financial losses in the program. Total DI overpayment debt¹⁷ increased from about \$1.9 billion in 1999 to nearly \$3 billion in 2003. During this same period, SSA's overpayment collections increased from about \$269 million to about \$431 million. Agency officials attributed the increase in collections in part to new initiatives they have made use of. For example, SSA has conducted debt management workshops to (1) develop new ideas on collecting the agency's mounting outstanding debt and (2) identify and prioritize debt that the agency should concentrate on collecting. In addition, SSA is in the process of developing new collection tools, such as wage garnishment to recoup overpayments, and has published final regulations to implement this tool.¹⁸ However, these improvements notwithstanding, the total overpayment debt is increasing. (See fig. 2.)

Figure 2: Total Overpayment Debt Is Increasing (1999–2003)



Source: GAO analysis based on SSA data.

¹⁷Total overpayment debt is comprised of existing debt carried forward from prior years, and newly detected overpayments, net of collections, waivers, and write-offs in each fiscal year.

¹⁸ 68 *Fed. Reg.* 74117 (to be codified at 20 C.F.R. pt. 422 subpt. E).

Increases in waivers and write-offs¹⁹ during this period have also contributed, in part, to the DI program's growing overpayment debt. SSA must waive collection of an overpayment if SSA determines that the beneficiary was not at fault in causing the overpayment and either the beneficiary would be financially unable to repay the overpayment or recovery would be against equity and good conscience. The agency may also write-off overpayments for various reasons, including when the agency is unable to locate an individual for a prolonged period of time. Waivers and write-offs increased from about \$222 million in 1999 to about \$325 million in 2003. The increase in waivers and write-offs is attributable, in part, to increases in total program outlays during this period.²⁰ Ultimately, our review suggests that overpayments not only contribute to increasing overpayment debt, but also may be a disincentive for individuals with disabilities to return to work. In particular, the potential of having to repay a large overpayment may discourage some beneficiaries from continuing to work, thus running contrary to SSA's goal of helping such individuals become self-sufficient.

Lack of Timely Data on Beneficiary Earnings and Other Vulnerabilities Impede SSA's Ability to Detect and Prevent DI Overpayments

SSA's ability to detect and prevent earnings-related overpayments is hindered by a lack of timely wage data, inefficient processes for conducting work CDRs, and potentially inaccurate management information. First, the earnings data produced by the enforcement operation are typically 12-18 months old when SSA first receives it, thus making some overpayments inevitable. Second, SSA lacks the means to systematically screen and identify beneficiaries most likely to incur large overpayments. Moreover, even if such a screen existed, SSA currently lacks an automated alert mechanism for notifying its field office and program service center staff about such cases. Third, SSA relies on management information data that may not accurately reflect the age of

¹⁹ According to SSA, some waivers are beyond the agency's control, such as those attributable to bankruptcy, Tax Refund Offsets, and Administrative Law Judge decisions instructing the agency to waive overpayments. Moreover, some debt that is written-off may ultimately be reestablished if the beneficiary returns to the DI rolls. In addition, SSA continues recovery efforts of qualified written-off debts via the Treasury Offset Program, credit bureau reporting, and mandatory cross-program recovery.

²⁰ Total DI program outlays increased from about \$50.4 billion in fiscal year 1999 to about \$70 billion in fiscal year 2003.

work CDR cases—the time it actually takes to review and complete them. Inaccurate management data can impede the agency’s ability to effectively monitor program activities and make corrections, when necessary. These weaknesses may contribute to some cases becoming old and resulting in large overpayments. We identified several cases in which as much as 7 years had passed between the point at which the case was initially selected for development and the time it was completed.

SSA Lacks Timely Data to Detect Overpayments

SSA currently relies on outdated information to verify DI beneficiaries’ eligibility for benefits.²¹ The agency conducts periodic matches between its earnings records and IRS wage data to determine if beneficiaries have earnings above the SGA level. The Continuing Disability Review Enforcement Operation (enforcement operation) is generally conducted three times annually—a principal match in May, and two supplemental matches in August, and February of the following year. According to some SSA officials, earnings data from the enforcement operation are generally about 12-18 months old by the time the cases are selected for review and arrive in the program service center. SSA officials told us that the age of the earnings data impedes the agency’s ability to effectively detect potential overpayments in a timely manner. Moreover, because a substantial proportion of all work CDRs in any given year are generated by these enforcement matches, a large proportion of this workload is dependent on outdated earnings information. Thus, some cases with potentially large overpayments may not be detected for extended periods of time.

SSA lacks access to more timely sources of wage data for verifying DI beneficiaries’ earnings, such as the Office of Child Support Enforcement’s National Directory of New Hires (NDNH). This database contains quarterly state wage and new hires data that could be used to help evaluate beneficiaries’ continuing eligibility for benefits more quickly than the enforcement operation. While SSA currently uses this database to periodically monitor the earnings of SSI recipients, it lacks similar authority for the DI program. In particular, SSA currently lacks the

²¹Beneficiaries are required to report earnings to SSA that may affect their eligibility for benefits, and SSA relies on beneficiaries to report such information in a timely manner. However, our review found that individuals sometimes do not report their earnings as required.

authority to conduct “batch file” computer matches²² with the NDNH—similar to the types of matches it routinely uses to verify SSI recipients’ continuing eligibility for benefits. Although the agency recently obtained “online access” to the NDNH for the DI program, this type of access only allows SSA to obtain wage data on case-by-case basis; it does not permit the agency to systematically match all DI beneficiaries against the NDNH to identify those with high levels of earnings—a potentially valuable, cost-effective means of identifying beneficiaries who may be at risk for large overpayments.

SSA Lacks an Effective Screening Mechanism to Identify Cases Most Likely to Incur Large Overpayments

The agency lacks the means to identify beneficiaries who are most likely to incur large overpayments. SSA currently uses the enforcement operation to select individuals with more than \$4,860 in annual earnings for a work CDR. While periodic computer matches with the NDNH would help provide more timely, comprehensive earnings data to SSA, some SSA officials told us that the agency would still need the ability to systematically screen the cases to identify those at high-risk for large overpayments. The agency currently uses a screen for its medical CDR reviews, which helps the agency identify beneficiaries who are most (or least) likely to have medically improved.²³ This screen helps SSA prioritize the use of limited staff resources by scheduling beneficiaries who are identified as least likely to improve for less frequent medical CDRs, and using forms that are periodically mailed to them requesting information on their medical condition. While our prior work has identified some problems with this screening mechanism,²⁴ in general SSA believes that, in many instances, it helps the agency mitigate the need for costly, time-consuming medical examinations that may not be necessary. However, the agency does not currently have a similar tool for its work CDRs to identify

²²Batch file computer matches would allow SSA to periodically match all DI beneficiaries against wage and new hires data in the NDNH, thus helping the agency identify individuals with high levels of earnings (those who may be likely to incur large overpayments).

²³This mechanism involves the application of statistical formulas that use data on beneficiary characteristics contained in SSA’s computerized records—such as age, impairment type, length of time on the disability rolls, previous CDR activity and reported earnings—to predict the likelihood of medical improvement and, therefore, benefit cessation.

²⁴GAO, *Social Security Disability: Reviews of Beneficiaries’ Disability Status Require Continued Attention to Achieve Timeliness and Cost-Effectiveness*, [GAO-03-662](#) (Washington, D.C.: July 24, 2003).

beneficiaries with high levels of earnings or other characteristics that may contribute to large overpayments.

One program service center we visited is considering the use of a screen that would give higher priority to developing cases for beneficiaries with higher earnings, and thus the potential for larger overpayments.²⁵ Some SSA officials we interviewed told us that such a screen would help the agency prioritize this workload and make better use of limited resources, particularly in field offices where staff are often constrained by several competing workloads, such as processing initial claims. Further, one official in this program service center told us some of the other program centers were considering implementing this screen.

Even if a screen existed that would allow SSA to identify cases with the greatest potential for large overpayments, the agency still lacks a timely alert mechanism to notify field offices and program service centers about such cases.²⁶ According to some SSA officials, such a mechanism, if created, could allow the agency to quickly notify field offices and program service centers about cases that have been identified as high-priority for work CDRs. SSA currently uses an alert mechanism in its SSI program to rapidly notify field offices about recipients with high levels of earnings or other factors that may affect their eligibility for benefits. These alerts are generated centrally from SSA's match with the NDNH and sent electronically to field office staff, telling them which recipients should have their cases reviewed. However, a similar alert system does not currently exist in the DI program. Instead, SSA field offices rely on daily workload management listings of potential work CDR cases that are relayed via existing agency systems. These lists summarize the cases that are awaiting review, including the "age" of the case. On the basis of such lists obtained from several field offices, we found that half of the cases were at least 117 days old. Moreover, cases that were transferred from program service centers were generally older—some were listed as being 999 days old. In addition, because the data field for measuring the age of cases on the workload management lists only holds a maximum of 3

²⁵ According to SSA, the agency is currently developing a scoring mechanism that would help the agency better manage overpayment-related workloads in its program service centers and field offices.

²⁶ SSA's enforcement operation does generate alerts for cases that should be reviewed. However, this alert is not as timely as the wage alerts generated in the SSI program that notify staff about cases that should be examined due to recipient earnings.

characters, SSA officials told us that these cases were likely older than indicated on the lists. In addition, we found that these lists do not allow managers to identify cases with the greatest potential for overpayments. As a result, staff generally review cases as they are released by managers to be developed. While some managers and staff we interviewed told us that they make a concerted effort to review the oldest cases first, others told us that they generally process the cases on a “first-in-first-out” basis, which is not necessarily related to the age of the case.

Weaknesses in SSA’s Management Information Hinder Its Ability to Effectively Monitor Work CDR’s

Our review suggests that SSA relies on potentially inaccurate data to manage its work CDR workload. In particular, our work shows that high-level management information data on the age of work CDR cases may not accurately reflect the true age of cases (i.e. the actual time it took to complete these cases) and may result in cases being counted more than once, thus distorting the information that SSA relies on to measure the number of cases that are reviewed and completed. To test the accuracy of high-level management data for this workload, we conducted an in-depth examination of 71 randomly selected cases²⁷ that were “cleared” from SSA’s Processing Center Action Control System²⁸ (the system) during a 1-week period in April 2004. On the basis of our sample we estimate that, overall, 49 percent²⁹ of these cases were improperly cleared from this system. This means that the cases were listed as having been fully reviewed and completed, when in fact they still required additional development. Improperly cleared cases can have several negative impacts according to SSA officials, including the potential for contributing to large overpayments. For example, on the basis of our sample, we estimate that 13 percent of the cases were improperly cleared from the system because

²⁷We worked with SSA to select a 1 percent sample of cases that were cleared from its Processing Center Action Control System over a 1-week period in April 2004. This 1 percent sample included a total of 151 cases. We then randomly sampled 71 of these cases for review. For this file review, the margin of error for all percentage estimates does not exceed plus or minus 10 percentage points at the 95 percent confidence level, unless otherwise noted.

²⁸This system is used by SSA to produce management information in its “Workload Status Report” used by the agency to track the disposition of cases that are sent to the program service centers for development as a result of the enforcement operation. According to SSA officials, cases should only be listed as “cleared” in this system if they have been fully developed and completed in accordance with agency guidelines for processing work CDRs.

²⁹The 95 percent confidence interval surrounding this estimate ranges from 37 to 61 percent.

they were not fully developed and did not have a “diary” attached to them—an automated notice that reminds staff to review the case after a specified period of time. Such cases might not be selected for review again until the next enforcement match—which could be as much as 1 year—and result in overpayments if the beneficiary had earnings that exceeded the SGA level. Most importantly, because they did not have a diary, SSA did not have any way of monitoring these cases or ensuring that they were properly completed. This weakness may partially explain the type of old cases with large overpayments we identified in several SSA field offices.

In addition to the cases without any diary, an estimated 37 percent³⁰ of the cases were incorrectly shown as cleared while still being developed in various locations such as field offices.³¹ Although these cases had a diary—thus giving SSA some level of internal control over them—our analysis shows they could still result in management information that does not show the true age of work CDR cases. More specifically, these types of cases would likely result in management information that understates the true age of such cases, and would distort the overall measurement of progress in handling work CDR workloads. Such cases could also result in the double counting of work CDRs. For example, if a single case was cleared in the program center and subsequently developed and cleared in a field office, it could be incorrectly listed as two separate work CDRs. SSA officials also acknowledged that some of the cases we reviewed which showed indications of being cleared multiple times could result in their being counted as numerous separate work CDRs. Thus, existing high-level management data may not accurately capture how many work CDRs have actually been completed.

We also found that SSA does not currently have the capability to track the disposition of work CDR cases. For example, the agency is unable to systematically track how many work CDR cases involve overpayments. Because it lacks sufficient management information data on this workload, the agency also does not have performance goals for work CDRs similar to measures it maintains for its medical CDR workloads, such as the number

³⁰The 95 percent confidence interval surrounding this estimate ranges from 26 to 49 percent.

³¹We estimate that 28 percent of the cases were properly cleared (the 95 percent confidence interval surrounding this estimate ranges from 18 to 40 percent). In addition to the 49 percent that were improperly cleared, an additional 14 percent had some other processing problem, while 6 percent could not be completed on the basis of available information, and 3 percent did not have any work issue involved.

of work CDRs that should be completed each year. Moreover, given the problems we identified with potential double or multiple counting of work CDR cases, it is unclear whether SSA could establish meaningful performance goals at this time.

Identified Vulnerabilities Contribute to Some Large Overpayments

The vulnerabilities we identified have likely contributed to old work CDR cases and large earnings-related overpayments in the DI program. We identified several examples of cases that took years to develop and complete. Some of these cases were as much as 7 years old and involved large overpayments. The following are examples of some of these cases:

- One case we observed was initially selected for review in 1997 by the enforcement operation. Although the recipient's benefits should have been discontinued in 1997 according to SSA officials, payments continued until March 2000. Agency officials could not explain why no action was taken on this case between 1997 and 2000. As a result, this beneficiary incurred a \$28,000 overpayment.
- Another case was selected for review each year from 1997 to 2001 by the enforcement operation. However, there was no evidence in the file that a work CDR was conducted until February 2004, and SSA officials were unable to explain why no action was taken after several consecutive enforcement matches. This beneficiary incurred an estimated \$105,000 overpayment between April 1997 and December 2003.
- Another case involved a beneficiary who had earnings well above SGA in 1998 when they first became eligible for DI benefits. However, the case only arrived in the field office for action in March 2003. SSA discontinued the recipient's benefits in 2003, but SSA officials could not explain why the case took 5 years to arrive at the field office for action. As a result, the recipient incurred a \$32,000 overpayment.
- An additional case we identified involved a beneficiary with earnings well above SGA for several years and who incurred a prior earnings-related overpayment. SSA subsequently waived the overpayment. However, the recipient continued to work without reporting the earnings to SSA. The agency eventually discontinued the individual's benefits in September 2003. At the time of our review, SSA officials estimated that the beneficiary had incurred a \$102,000 overpayment.

Further compounding the vulnerabilities that contribute to aged cases and large overpayments, our review suggests that SSA has difficulty balancing competing workloads. In particular, SSA field office staff are required to perform numerous duties, including processing initial claims, serving individuals who walk into the field office without an appointment, meeting with beneficiaries who have requested an appointment, and processing the “special disability workload.” Many managers and staff we interviewed told us that work CDRs generally receive lower priority than some of these other activities, such as processing initial claims. In several offices we visited, we observed lists of pending work CDRs, sometimes stored in file cabinets for extended periods of time.

SSA is currently implementing a new automated system that may address some of the vulnerabilities we identified. This system, called “eWork,” is intended to simplify how SSA manages and processes its disability cases. In particular, according to documentation provided by SSA, this system will establish program controls for all work CDR cases and help the agency identify higher priority cases. Once fully implemented, eWork will combine data from several different SSA databases and will automate the processing of numerous forms commonly used in developing and documenting disability cases, according to SSA. One field office we visited was piloting this system. Management and staff in this office generally reported that the system was an improvement over existing systems. In particular, officials reported that the system was useful in helping them track the age of work CDR cases, especially older cases that should potentially receive higher priority. Overall, SSA management and line staff expressed confidence that this new system will improve the agency’s ability manage its disability cases, including work CDRs. However, because the system is new and is not yet fully implemented nationwide, we were unable to evaluate how effective it may be for addressing some of the weaknesses we identified.

Conclusions

We recognize that ensuring program integrity while focusing on the important goal of returning individuals with disabilities to work presents challenges for SSA. However, the weaknesses we identified in SSA’s existing work CDR processes continue to expose the program to overpayments and abuse. In particular, SSA’s reliance on outdated earnings information has contributed to overpayments and forced staff to investigate cases that are old and thus difficult and time-consuming to process. Without the ability to conduct batch file computer matches with

the National Directory of New Hires, the agency will remain vulnerable to large earnings-related overpayments. Similarly, the lack of a screen to systematically identify beneficiaries more likely to incur overpayments means that SSA cannot target cases that should receive higher priority. Even if such a screen existed, SSA would not be able to make the best use of it given the lack of an automated alert system to notify field offices and program service centers about which cases should be reviewed. Moreover, without accurate, reliable management data on the age and status of work CDR cases, SSA will find it difficult to effectively monitor this workload, identify areas that require continued improvement, and develop meaningful work performance measures.

In an environment of limited budgetary and staff resources, federal agencies such as SSA will be required to take a more strategic approach to servicing ever-increasing workloads. The magnitude of earnings-related overpayments indicates that SSA should take additional steps to strengthen DI program integrity. Moreover, the potential of having to repay a large overpayment may discourage some beneficiaries from continuing to work, thus working contrary to SSA's goal of helping individuals become self-sufficient. Ultimately, without a concerted effort to increase management focus on this key workload and to reengineer existing processes, SSA's ability to ensure that trust fund dollars are protected and reserved for those who are truly eligible will continue to be compromised. The new automated system that SSA is developing may help the agency address some of the weaknesses we identified, but it is too early to determine how effective it will be. A conscious management decision to use this system to improve DI program integrity in conjunction with more accurate management information will be required to help detect and prevent large overpayments.

Recommendations

To enhance SSA's ability to detect and prevent overpayments in the DI program, we recommend that the Commissioner of Social Security take the following actions to improve the agency's work CDR processes:

1. Initiate action to develop a data sharing agreement with the Office of Child Support Enforcement to conduct batch-file periodic computer matches with the National Directory of New Hires (NDNH). Such matches would provide SSA with more timely data to help the agency systematically identify DI beneficiaries who are most likely to incur overpayments. Such a tool could also allow SSA to perform a one-time, comprehensive match against all DI beneficiary records to identify individuals who may be overpaid but have not yet been detected.

-
2. Consider developing an enhanced screening mechanism that would enable the agency to more effectively identify DI beneficiaries who are most likely to incur earnings-related overpayments. This would help the agency make more efficient use of limited staff and budgetary resources.
 3. Study the potential for creating an alert system similar to that used in the SSI program for alerting field offices about recipients at high risk for earnings-related overpayments. Such a system would allow SSA to notify field offices and program service centers about beneficiaries the agency identifies as most likely to incur large overpayments.
 4. Consider ways to improve the accuracy and usefulness of existing management information data. Improvements may include modifying how the agency measures the age of work CDR cases to more accurately reflect how long they are in process.
 5. Once the eWork system is fully implemented, SSA should consider how it could be used to help the agency create performance goals for its work CDR workload.

Agency Comments and Our Evaluation

We provided a draft of this report to SSA for review and comment. SSA agreed with our recommendations and, in some instances, outlined initial plans for their implementation.

SSA agreed with our first recommendation to develop a data-sharing agreement with the Office of Child Support Enforcement to conduct batch-file computer matches with the NDNH. The agency noted that it pursued online access to the NDNH first because it was more cost effective and expeditious. The agency also indicated that it is developing a new computer matching agreement that supports SSA's use of the NDNH in the DI program for purposes of identifying potential overpayments. We encourage SSA to ensure that any new agreement will provide for periodic, batch-file matches to verify beneficiaries' earnings at regular, specified intervals.

SSA also agreed with our second recommendation to consider developing an enhanced screening mechanism to help the agency more effectively identify DI beneficiaries most likely to incur earnings-related overpayments. In particular, SSA agreed that it should pursue a screening system similar to that currently used for medical CDRs to determine if there is an increased likelihood of earnings-related overpayments based on particular diagnosis codes. It also noted that it should study ways to

improve the effectiveness of existing systems (such as the Continuing Disability Review Enforcement Operation and the Disability Control File) to help the agency focus on beneficiaries with the greatest potential for overpayments. We agree that these are positive steps and that the agency should consider how improvements to such systems might be incorporated to emerging systems such as “eWork”.

With respect to our third recommendation that SSA develop an alert system similar to that currently used in the SSI program for alerting staff to cases at risk for earnings-related overpayments, SSA agreed and noted that an alert system such as the “S2” alert used for SSI wage discrepancies could provide a useful model. The agency noted that such an alert could reduce the amount of time in which a claimant would continue to receive payments while work development is initiated. Moreover, since these reports include the employer’s name, address, and a quarterly breakdown of the beneficiary’s earnings, this detailed information would provide SSA staff with more specific information than is currently available. SSA also said that an alert system could also be generated from the NDNH match proposed in our first recommendation. We agree that an alert system would help identify potential overpayments more quickly, particularly if it were generated from data produced by periodic computer matches with the NDNH.

SSA agreed with our fourth recommendation to improve the accuracy and usefulness of existing management information data. SSA said that it is working on a plan to unify the manner in which it identifies and counts work and medical CDRs. The agency believes that it will be able to more accurately capture workload counts and employee time consistently, regardless of where the work is performed. While we agree that efforts to improve existing processes and systems are necessary, it is too early to determine if the proposed modifications will address the problems we identified with high level management information, such as potential double-counting of work CDRs.

SSA also agreed with our fifth recommendation to consider how it could use the eWork system to create performance goals for work CDRs once it is fully implemented. The agency commented that such a measure would give field offices and program service centers a better indication of what is expected of them regarding processing this workload and would help them balance the time needed to process competing workloads.

SSA's formal comments appear in appendix II. SSA also provided additional technical comments that we have incorporated in the report as appropriate.

Unless you publicly announce its contents earlier, we plan no further distribution until 30 days after the date of this report. At that time, we will send copies of this report to the House and Senate Committees with oversight responsibility for the Social Security Administration. We will also make copies available to other parties upon request. In addition, the report will be available at no charge on GAO's Website at <http://www.gao.gov>. If you have any questions concerning this report, please contact me at (202) 512-7215.

Sincerely yours,

A handwritten signature in black ink that reads "Robert Robertson". The signature is written in a cursive, flowing style.

Robert E. Robertson
Director, Education, Workforce,
and Income Security Issues

Appendix I: Scope and Methodology

This appendix provides additional details about our analysis of the Disability Insurance (DI) program's work continuing disability review (work CDR) process, including potential weaknesses in the Social Security Administration's (SSA) existing procedures and policies. To meet the objectives of the review, we examined DI performance data, prior reports by SSA and its Office of Inspector General (OIG), external research studies, and our prior reviews of the program. We analyzed DI payment data over a 5-year period from 1999 to 2003, and examined cases from 14 out of 18 SSA field offices we visited and 3 program service centers. In addition, we randomly selected and reviewed 71 cases with earnings to determine if they were reviewed and processed in accordance with program guidelines. Finally, we conducted in-depth interviews with 230 management and line staff from SSA's headquarters; its regional offices in New York and San Francisco; 18 field offices in 6 states; and 3 out of 8 regional program service centers. During our meetings, we (1) examined existing work CDR procedures; (2) documented management and staff views on the effectiveness of SSA's work CDR processes for detecting and preventing earnings-related overpayments; and (3) discussed potential improvements to existing program processes, systems, and policies.

We conducted independent audit work in six states (California, Florida, Maryland, Massachusetts, New York, and Virginia) to examine SSA's policies and procedures for conducting work CDRs, and to identify any common weaknesses in SSA's work CDR processes. We selected locations for field visits based on several criteria, including geographic dispersion, states with an SSA program service center, states with large numbers of DI beneficiaries, and states with large DI expenditures. In total, we visited 18 field offices and interviewed 161 SSA field office managers and line staff responsible for the DI program. We visited a mix of large offices in metropolitan areas as well as smaller offices located in the suburbs. In addition, we visited three program service centers in Richmond, California; Queens, New York; and Baltimore, Maryland. These program centers were responsible for the majority of all work CDRs identified by the enforcement operation. Where appropriate, we also visited field offices or program centers that were conducting special initiatives or piloting emerging computer systems that could impact how SSA conducts work CDRs (such as the "eWork" system).

During our meetings with SSA and OIG officials, we documented management and staff views on the effectiveness of work CDR policies and procedures and potential improvements to existing processes, policies, and systems. In particular, we documented management and staff views on (1) the timeliness of existing data sources to verify beneficiary

earnings, (2) the effectiveness of existing processes for identifying individuals at high-risk for large overpayments, (3) the effectiveness of existing computer systems for notifying staff responsible for conducting work CDRs about cases that should be reviewed, and (4) the accuracy of management information data used to monitor work CDRs in one large program service center. To further assess existing program processes and systems, at 10 offices and 3 service centers, we judgmentally selected between 5 and 7 pending or completed work CDR cases. We generally looked at older cases in order to understand where existing procedures may have weaknesses. We then conducted in-depth reviews of these case files to identify potential vulnerabilities in existing work CDR processes, policies, and systems.

As part of our study, we worked with SSA to draw a 1 percent sample of all work CDR cases that were “cleared” from the agency’s Processing Center Action and Control System over a 1-week period in April 2004 (the “study population”). Our objective was to determine whether work CDR cases were cleared in accordance with agency guidelines and to assess the accuracy of high-level management data produced by this system. This sample resulted in a total of 151 cleared cases. We then randomly selected 71 of these 151 cases for review. As part of our review, we discovered that there was a potential for cleared work CDR cases to appear multiple times in SSA’s Processing Center Action Control System. On the basis of our discussion with knowledgeable SSA officials, we determined it would be highly unlikely for cases to be listed as “cleared” multiple times in a 1-week time period. Therefore, we assumed that cases did not appear more than once in the 1-week time period from which we drew our sample.

Because we followed a probability procedure based on random selections, our sample is only one of a large number of samples that could have been drawn. Since each sample could have provided different estimates, we express our confidence in the precision of our particular sample’s results using 95 percent confidence intervals. A confidence interval is an interval that would contain the actual population value for 95 percent of the samples we could have drawn. As a result, we are 95 percent confident that each of the confidence intervals in this report will include the true values in the study population. For this file review, the margin of error for each percentage estimate does not exceed plus or minus 10 percentage points, unless otherwise noted. The margin of error is the distance from each estimate to the upper or lower boundaries of its 95 percent confidence interval.

To assess the reliability of the databases we used, reviewed reports provided by SSA and its Office of Inspector General, which contained recent assessments of these databases. We also interviewed knowledgeable agency officials to further document the reliability of these systems. In addition, we checked the data for internal logic, consistency, and reasonableness. We determined that all the databases were sufficiently reliable for purposes of our review.

Appendix II: Comments from the Social Security Administration



SOCIAL SECURITY

The Commissioner

August 16, 2004

Mr. Robert E. Robertson
Director, Education, Workforce
and Income Security Issues
U.S. Government Accountability Office
Room 5-T-57
441 G Street, NW
Washington, D.C. 20548

Dear Mr. Robertson:

Thank you for the opportunity to review and comment on the draft report "Disability Insurance: SSA Should Strengthen Efforts to Detect and Prevent Overpayments" (GAO-04-929). Our comments on the report are enclosed.

If you have any questions, please have your staff contact Candace Skurnik, Director, Audit Management and Liaison Staff, at (410) 965-4636.

Sincerely,

A handwritten signature in black ink that reads "Jo Anne B. Barnhart".

Jo Anne B. Barnhart

Enclosures

SOCIAL SECURITY ADMINISTRATION BALTIMORE MD 21235-0001

**COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO)
DRAFT REPORT "DISABILITY INSURANCE: SSA SHOULD STRENGTHEN
ITS EFFORTS TO DETECT AND PREVENT OVERPAYMENTS" (GAO-04-929)**

Thank you for the opportunity to review and comment on the GAO Draft Report "Disability Insurance: SSA Should Strengthen Efforts to Detect and Prevent Overpayments" (Audit No. 12003032). We agree that the Agency needs to explore new tools and data sources that can be used to more effectively detect and prevent earnings-related overpayments. We have the following comments concerning information contained within the body of the draft report:

The first sentence on page 3, the 2nd paragraph on page 7, and the first paragraph on page 10 -- All of these sections mention that Disability Insurance (DI) overpayment waivers and write-offs increased from FY 1999 to 2003, in addition to the increase in DI overpayments detections and total available debt. Given the increase in DI beneficiaries as well as benefit payments during that time period, this should not be unexpected. For example, DI program outlays were \$50,424 million in FY 1999 and \$69,788 million in FY 2003, a \$19,364 million or 38 percent increase. It would be logical to then assume that there would be proportional increases in overpayments and overpayment resolutions, including waivers under the Social Security Act and write-offs under the Federal Claims Collection Standards.

There are several reasons for an overpayment waiver that are beyond SSA's control, such as bankruptcy, Tax Refund Offset (TRO) waivers and ALJ decisions instructing the Agency to waive overpayments. This information should be included in the report to explain why some of the waivers could have occurred.

Finally, the report does not make it clear that when some debt is written off, the Agency's action is conditional such that, if the debtor returns to the benefit rolls, the overpayment will be pursued. When a debt is conditionally written off, it is also removed from the Agency's accounts receivable balance. However, SSA continues recovery efforts of qualified written-off debts via the Treasury Offset Program, credit bureau reporting and mandatory cross program recovery. If these efforts result in a collection or the individual becomes re-entitled to benefits, SSA will reestablish the debt.

Page 7, footnote #15 - This should be changed to read, "This workload is comprised of *about* 500,000 SSI recipients who at some point became eligible for DI." Most estimates regarding the Special Disability Workload show the number of affected recipients at slightly less, not more than 500,000.

Page 9 - This section indicates that "SSA is studying the use of new tools, such as wage garnishment to recoup overpayments, and has published draft regulations to implement this tool." Our final regulations on administrative wage garnishment (AWG) became

effective on January 22, 2004. See 68 Fed. Reg. 74177 (December 23, 2003). Further, the Agency is fully engaged in the systems development of AWG, which will be completed in December 2004. Also, the regulations for federal salary offset are currently being drafted and a project scope agreement is currently being developed for debt management for the non-entitled debtors project. These debt-management tools, when fully implemented, will allow SSA to aggressively recover overpayments from debtors.

Page 10 - In the second sentence, the description of the statutory requirements for waiver of collection of an overpayment is inaccurate. We recommend the following revision: "SSA must waive collection of an overpayment when the liable person was not at fault in causing the overpayment and either the liable person would be financially unable to repay the overpayment or recovery from that person would be against equity and good conscience." See section 204(b) of the Social Security Act.

Page 12, last paragraph - The report discusses a Program Service Center (PSC) that is considering the use of a screen to prioritize developing cases for beneficiaries with higher earnings and thus, the potential larger overpayments. The report should reflect that the Agency is currently developing a scoring mechanism that would improve overpayment-related workloads in the PSCs and field offices.

Our responses to the specific recommendations are provided below.

Recommendation 1:

Initiate action to develop a data-sharing agreement with the Office of Child Support Enforcement (OCSE) to conduct batch-file periodic computer matches with the National Directory of New Hires (NDNH). Such matches would provide SSA with more timely data to help the agency systematically identify beneficiaries who are most likely to incur overpayments. Such a tool would also allow SSA to perform a one-time comprehensive match against all DI beneficiary records to identify individuals who may be overpaid but have not yet been detected.

Response

We agree. SSA currently has an agreement with OCSE to conduct computer matches with the NDNH for SSI recipients. SSA implemented query access to OCSE data (quarterly wages, new hire reports and UI data) for DIB and Ticket to Work purposes this spring. Online access was done in advance of the batch process because it was more cost effective and expeditious. We are using the OCSE data in making determinations about work and earnings for cost reimbursement claims from State Vocational Rehabilitation agencies. We are also using the OCSE data in Ticket to Work as supplemental work and

earnings information in making determinations on Employment Network requests for payment. Another computer matching agreement that supports SSA's use of OCSE data in the disability program for the purposes of identifying possible overpayments has also been drafted.

Recommendation 2:

Consider developing an enhanced screening mechanism that would enable the agency to more effectively identify DI beneficiaries who are most likely to incur earnings-related overpayments. This would help the Agency make more efficient use of limited staff and budgetary resources.

Response

We agree. As of fiscal year (FY) 2004, our Continuing Disability Review Enforcement Operation (CDREO) is using earnings data posted to the Disability Control File (DCF) along with those posted to the Master Earnings File (MEF) to generate alerts. Through FY 2003, the CDREO system used only the MEF earnings. Using the DCF allows the CDREO system to identify, and not refer for staff review, cases in which earnings in a year are significant, but determinations have already been made on those earnings. We will continue to look for more effective uses of these data systems.

We agree that the Agency should pursue a profiling system similar to that currently used for medical CDRs. A match of earnings-related overpayments and diagnosis codes could be reviewed to determine if there is an increased likelihood of earnings-related overpayments based on particular diagnosis codes. After analyzing the reviews, a determination could be made to initiate the match on a recurring basis, or to automate alerts on a routine basis.

We also feel it is very important to develop some type of profiling software for integration into the CDREO. We have been working for some time to implement systems changes to refine the selection criteria for enforcement alerts. We agree that these changes could allow us to focus our efforts on those cases with the highest potential for overpayments. Identifying and working those cases first could reduce the number of high overpayments.

Recommendation 3:

Study the potential for creating an alert system similar to that used in the SSI program for alerting field offices about recipients at high risk for earnings-related overpayments. Such a system would allow SSA to notify field offices and program service centers about beneficiaries the agency identifies as most likely to incur large overpayments.

Response

We agree. The DCF was implemented in November 2002 and is now used to control earnings-related actions. Effective with FY 2004, when the CDREO system identifies significant earnings, it posts the pending action to the DCF for control purposes. If there is no current work activity development pending, the CDREO posts the pending action to the DCF and generates an alert. The DCF controls these issues to completion.

An alert system such as the "S2" alert used for Title XVI wage discrepancies could alert field offices to claimants with earnings over a predetermined amount -- earnings that may be unreported by the claimant, but are reported quarterly by employers. This alert could reduce the period of time in which a claimant would continue to receive payments while work development is initiated. Further, since these reports include the employer's name, address, and EIN, and provide a quarterly breakdown of the earnings, this detailed information would provide our personnel with more specific information than is currently available on the earnings record. It may be possible that an alert system could also be generated from the NDNH match proposed in Recommendation 1.

Recommendation 4:

Consider ways to improve the accuracy and usefulness of existing management information data. Improvements may include modifying how the agency measures the age of work CDR cases to more accurately reflect how long they are in process.

Response

We agree. We agree that currently there are few safeguards to prevent double counting of work CDR cases. However, the Agency is currently working on a plan to unify the method of identifying and counting work and medical CDRs, the Social Security Unified Measurement System (SUMS) Operational Data Store. Under SUMS, we will capture both workload counts and employee time consistently, regardless of where the work is performed. Existing component-specific work measurement systems will be replaced by a unified system in which decisions to move workloads among components are accommodated automatically.

In addition, we have made some improvements for providing information on aged cases. The Management Information Systems Facility now contains a 'Pending' query screen that provides the CDR age in operations, rather than age in location enabling users to select the truly oldest cases first. This feature was initiated in August 2003 and is available to field offices, PSCs, disability determination services or disability quality branches.

Recommendation 5:

Once the eWork system is fully implemented, SSA should consider how it could be used to help the agency create performance goals for its work CDR workload.

Response

We agree. After eWork has been rolled out nationally and sufficient time has elapsed to allow users to become proficient in its use, we will consider utilizing the data contained therein to create performance goals for our work CDR workload. This would give the field offices and PSCs a better indication of what is expected of them with regard to processing work CDRs. It would also help them to balance the time needed for this workload with the time needed for their other numerous competing workloads.

Appendix III: GAO Contacts and Staff Acknowledgments

GAO Contacts

Daniel Bertoni, Assistant Director (202) 512-5988
Jeremy D. Cox, Analyst-in-Charge (202) 512-5717

Staff Acknowledgments

In addition to those named above, Jeff Bernstein, Sue Bernstein, Dan Schwimer, Salvatore F. Sorbello, Sidney Schwartz, and Shana Wallace made important contributions to this report.

Related GAO Products

Social Security Disability: Reviews of Beneficiaries' Disability Status Require Continued Attention to Achieve Timeliness and Cost-Effectiveness. [GAO-03-662](#). Washington, D.C.: July 24, 2003.

High-Risk Series: An Update. [GAO-03-119](#). Washington, D.C.: January 2003.

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Social Security: Review of Disability Representatives. GAO/HEHS-99-50R. Washington, D.C.: March 4, 1999.

Major Management Challenges and Program Risks: Social Security Administration. [GAO/OCG-99-20](#). Washington, D.C.: January 1999.

High-Risk Program: Information on Selected High-Risk Areas. [GAO/HR-97-30](#). Washington, D.C.: May 16, 1997.

High-Risk Series: An Overview. [GAO/HR-97-1](#). Washington, D.C.: February 1997.

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