
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**DISABILITY INSURANCE AND
SUPPLEMENTAL SECURITY INCOME
CLAIMS ALLOWED
BUT NOT PAID**

June 2011 A-01-10-10177

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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- Access to all information necessary for the reviews.
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SOCIAL SECURITY

MEMORANDUM

Date: June 20, 2011

Refer To:

To: The Commissioner

From: Inspector General

Subject: Disability Insurance and Supplemental Security Income Claims Allowed But Not Paid (A-01-10-10177)

OBJECTIVE

The objective of our review was to identify Disability Insurance (DI) and Supplemental Security Income (SSI) claims medically allowed for disability benefits but not paid.

BACKGROUND

The Social Security Administration (SSA) provides DI and SSI disability benefits to eligible individuals under Titles II and XVI of the *Social Security Act*.¹ To receive disability benefits, an individual must first file an application with SSA. An SSA field office then determines whether the individual is performing substantial gainful activity and whether he or she meets the non-disability criteria for benefits.² If so, field office staff generally forwards the claim to the disability determination services (DDS) in the State or other responsible jurisdiction for a disability determination. Once the DDS makes a determination, it sends the claim to an SSA office for final processing.

If the claimant disagrees with the initial disability determination, he or she can file an appeal within 60 days from the date SSA notifies him or her of the determination. Generally, an individual may request (1) reconsideration by the DDS,³ (2) hearing by

¹ *Social Security Act*, §§ 223 *et seq.* and 1611 *et seq.*, 42 U.S.C. §§ 423 *et seq.* and 1382 *et seq.*

² For DI benefits, the non-disability criteria include such factors as sufficient earnings. For SSI payments, the non-disability criteria include such factors as limited income and resources.

³ The reconsideration step of the administrative review process is eliminated for DDSs participating in the Disability Redesign Prototype (Alabama, Alaska, California—Los Angeles North and Los Angeles West Branches, Colorado, Louisiana, Michigan, Missouri, New Hampshire, New York, and Pennsylvania).

an administrative law judge (ALJ), and (3) review by the Appeals Council (AC). After completing the administrative review process, dissatisfied claimants may appeal to the Federal courts.

According to SSA's Office of Disability Program Management Information, there were almost 8 million disability allowances for 2003 through 2005 and 2007 through 2009. (See Appendix B for more detail on these cases.)

This audit is a continuation of our July 2010 audit of *Disability Insurance and Supplemental Security Income Claims Approved in 2006 But Not Paid* (A-01-10-11009). In that audit, we found that 45 claimants had not received their benefits because of employee error while the individuals' claims were processed. The first audit focused on claims allowed in 2006, while the current audit includes 2003 through 2005 and 2007 through 2009.

We obtained files of all DI and SSI disability claims with a DDS, ALJ, or AC allowance in Calendar Years (CY) 2003 through 2005 and 2007 through 2009.⁴ Through analysis, as of November 2010, we had identified 1,847 cases that appeared to need corrective action by SSA. We referred these 1,847 cases to SSA's Office of Operations for review and appropriate action. Table 1 shows the number of cases referred to the Agency by year of allowance. (See Appendix C for our scope and methodology.)

| Table 1: Cases Referred by Year of Allowance | | | | | | | |
|--|------|------|------|------|------|------|-------|
| Year | 2003 | 2004 | 2005 | 2007 | 2008 | 2009 | Total |
| Number of Cases | 112 | 147 | 166 | 356 | 417 | 649 | 1,847 |
| Percent | 6% | 8% | 9% | 19% | 23% | 35% | 100% |

RESULTS OF REVIEW

Based on its review of the cases we identified and referred to the Agency, SSA staff determined that some claimants were eligible for benefits not paid.

⁴ The DDS files included records for the Social Security number holder and others who filed on his or her record. The ALJ and AC files included only records for the Social Security number holder.

Of the 1,847 cases we referred,

- 317 (17 percent) were corrected, and SSA calculated about \$4.8 million in past-due benefits in 296 of these cases;⁵
- 29 (2 percent) did not need corrective action;⁶
- 211 (11 percent) were still being reviewed by SSA as of May 2011; and
- 1,290 (70 percent) appeared to have no activity related to our referrals as of May 2011.

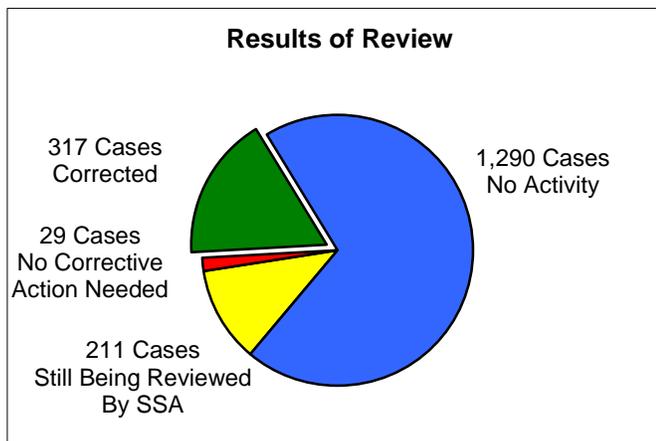


Table 2 shows, by region, the number of cases we referred and the number of cases in each area.

| Table 2: Cases by Region | | | | | |
|--------------------------|----------------|-----------------|----------------------|------------|--------------|
| SSA Region | Cases Referred | Cases Corrected | No Correction Needed | Pending | No Activity |
| Boston | 113 | 30 | 0 | 20 | 63 |
| New York | 204 | 36 | 4 | 24 | 140 |
| Philadelphia | 228 | 48 | 3 | 26 | 151 |
| Atlanta | 407 | 59 | 6 | 43 | 299 |
| Chicago | 292 | 49 | 4 | 37 | 202 |
| Dallas | 267 | 44 | 4 | 32 | 187 |
| Kansas City | 46 | 6 | 4 | 5 | 31 |
| Denver | 24 | 3 | 2 | 2 | 17 |
| San Francisco | 207 | 33 | 2 | 15 | 157 |
| Seattle | 47 | 8 | 0 | 6 | 33 |
| International | 12 | 1 | 0 | 1 | 10 |
| TOTAL | 1,847 | 317 | 29 | 211 | 1,290 |

⁵ Of the 317 cases, 21 were not due benefits. For example, in some of these cases, the claimant was not due benefits because he or she failed to cooperate with SSA.

⁶ For example, in some of these cases, SSA paid benefits shortly before our referral.

CASES WITH UNPAID ALLOWANCES

In 296 of the 317 cases SSA corrected, claimants should have received payments for the medical allowance decision for which they were not paid. As of May 2011, the Agency had calculated past-due benefits totaling approximately \$4.8 million for 296 claimants. The average past-due benefit was \$16,093,⁷ and these past-due benefits ranged from a low of \$21 to a high of \$96,394. These past-due benefits occurred over an average of 30 months, ranging from 1 to 229 months. Of the \$4.8 million in past-due benefits, approximately

- \$2.22 million was paid to the claimants,⁸
- \$2.31 million was used to collect overpayments from other benefits the claimants were receiving,⁹
- \$65,000 was paid to other people on the claimant's record, and
- \$169,000 was paid to representatives.¹⁰

Table 3 shows the range of past-due benefits SSA had calculated for the 296 claimants as of May 2011.

| Table 3: Summary of Past-Due Benefits | | |
|--|----------------------------|----------------|
| Past-Due Benefits Range | Number of Claimants | Percent |
| \$0 to \$10,000 | 132 | 45% |
| \$10,001 to \$25,000 | 107 | 36% |
| \$25,001 to \$50,000 | 44 | 15% |
| \$50,001 to \$100,000 | 13 | 4% |
| TOTAL | 296 | 100% |

We determined that 213 of the 296 claimants received some type of benefit from SSA other than their unpaid allowance claim; therefore, these individuals may have believed this was the only benefit they were entitled to receive. Additionally, the majority of claimants with an unpaid allowance claim suffered from a mental disorder, which may

⁷ The median was \$11,471.

⁸ This includes about \$145,000 that the Agency was not able to pay immediately because of eligibility factors.

⁹ This includes one case where over \$5,000 was applied to past-due child support and/or alimony.

¹⁰ SSA calculates claimants' representative fees (to attorneys and non-attorney representatives) based on past-due benefits and the maximum amount that the Agency determines a representative can charge for services. The Agency will withhold the fee from the claimant's benefits and issue the payment directly to the representative. 20 C.F.R. §§ 404.1720 and 416.1520.

have affected their ability to follow up on their claim.¹¹ Table 4 summarizes the types of disabilities that affected these claimants.

| Table 4: Summary of Type of Disability | | |
|---|----------------------------|----------------|
| Type of Disability | Number of Claimants | Percent |
| Mental Disorders | 189 | 64% |
| Musculoskeletal Disorders | 40 | 14% |
| Other Disabilities | 67 | 22% |
| TOTAL | 296 | 100% |

For example, a man from Massachusetts filed for DI benefits in July 2009. The DDS approved his claim in October 2009 based on a brain injury that occurred in March 2007. As of November 2010, SSA still had not paid this claim because it was developing the case for a representative payee.¹² We referred this case to SSA in November 2010, and the Agency corrected the case in January 2011. SSA selected a relative of the claimant to be his representative payee and paid over \$32,000 in past-due benefits for 30 months. This claimant will now receive over \$1,100 per month in benefits and was entitled to Medicare benefits in July 2010.

In another example, a man from Oregon filed for both DI and SSI benefits in October 2007. The DDS allowed his claim in December 2007 based on a mental disability. SSA processed the SSI claim and began payments in February 2008, but as of July 2010, the Agency had not paid the DI claim. We referred this case to SSA in July 2010, and the Agency began paying the DI benefits in October 2010. The claimant was due over \$39,000 in past-due benefits over 48 months, with about \$16,000 paid to the claimant and about \$23,000 used to repay SSI payments issued during this time period. Before our referral, this claimant was receiving \$674 per month in SSI payments. As of May 2011, the claimant was receiving \$858 per month in DI benefits.

In another example, a man from Illinois filed for DI benefits in April 2007. After denials at the initial and reconsideration levels, the ALJ partially approved his claim in August 2009. The disability decision stated that his back disorder began in February 2007 and ended in August 2008. We referred this case to SSA in November 2010 because the Agency had not paid the claim. A few months later, SSA completed work on this claim and calculated a total amount of past-due benefits of over \$30,000. Of this amount, SSA paid over \$16,000 to the claimant, over \$8,000 to another person on the record, and over \$8,000 to the claimant's attorney.

¹¹ In our review of CY 2006 cases, we found that 45 claimants did not receive their benefits because of employee error that occurred while SSA staff processed the individuals' claims.

¹² Some individuals cannot manage their finances because of their age, mental, and/or physical impairments. Therefore, Congress granted SSA the authority to appoint a representative payee, which can be a person or an organization, to receive and manage benefits on an individual's behalf. See POMS, GN 00501.005 C.

PENDING CASES

As of May 2011, SSA was working on 211 cases. Although these cases were still pending as of the date of this review, the Agency calculated past-due benefits of over \$1.1 million in 85 of these cases. The average past-due benefit was \$12,958; and these past-due benefits ranged from a low of \$132 to a high of \$56,468. These past-due benefits occurred over an average of 24 months, ranging from 1 to 88 months.

For example, a woman from Minnesota, who was already receiving SSI payments, filed for DI benefits in June 2004, and the Agency denied her claim. The Agency reopened and allowed her claim under a mental disorder as of May 2005 but did not take action to pay the claim. We referred this case to SSA in November 2010. In May 2011, SSA effectuated payment for the beneficiary in the amount of \$691 per month in DI benefits, which will reduce the amount of the monthly SSI payment. The Agency had not completed work on this claim, but evidence on the record indicates that past-due benefits will total over \$56,000.¹³

In another example, a woman from Massachusetts filed for DI and SSI disability benefits in April 2009. The DDS allowed her claim at the reconsideration level in December 2009 based on a mental disorder that started in April 2008. The Agency processed this allowance only for the SSI claim while taking no action on the DI claim. We referred this case in November 2010, and a few months later, SSA began paying \$882 per month in DI benefits instead of \$493 in SSI payments. The Agency had not completed work on this claim, but evidence on the record indicates that past-due benefits will total over \$25,000.¹³

CONCLUSION AND RECOMMENDATION

Our review of allowance decisions issued in CYs 2003 through 2005 and 2007 through 2009 found SSA had not paid some beneficiaries as of 2011—between 1 and 8 years after the decisions to allow the claims. These cases represent only a very small percent of the 8 million allowance decisions issued in these years. The Agency calculated past-due benefits of \$4.8 million to 296 of these claimants, and more than \$1.1 million is due to 85 other claimants.

We recommend that SSA complete its work on the remaining cases of the 1,847 unpaid claimants we identified, and ensure all past-due benefits are paid to beneficiaries as appropriate.

¹³ A portion of these past-due benefits will be used to repay the SSI payments issued.

AGENCY COMMENTS

SSA agreed with our recommendation. See Appendix D for the Agency's comments.

A handwritten signature in black ink, appearing to read "Patrick P. O'Carroll, Jr.", with a stylized flourish at the end.

Patrick P. O'Carroll, Jr.

Appendices

APPENDIX A – Acronyms

APPENDIX B – Disability Allowances, 2003 Through 2009

APPENDIX C – Scope and Methodology

APPENDIX D – Agency Comments

APPENDIX E – OIG Contacts and Staff Acknowledgments

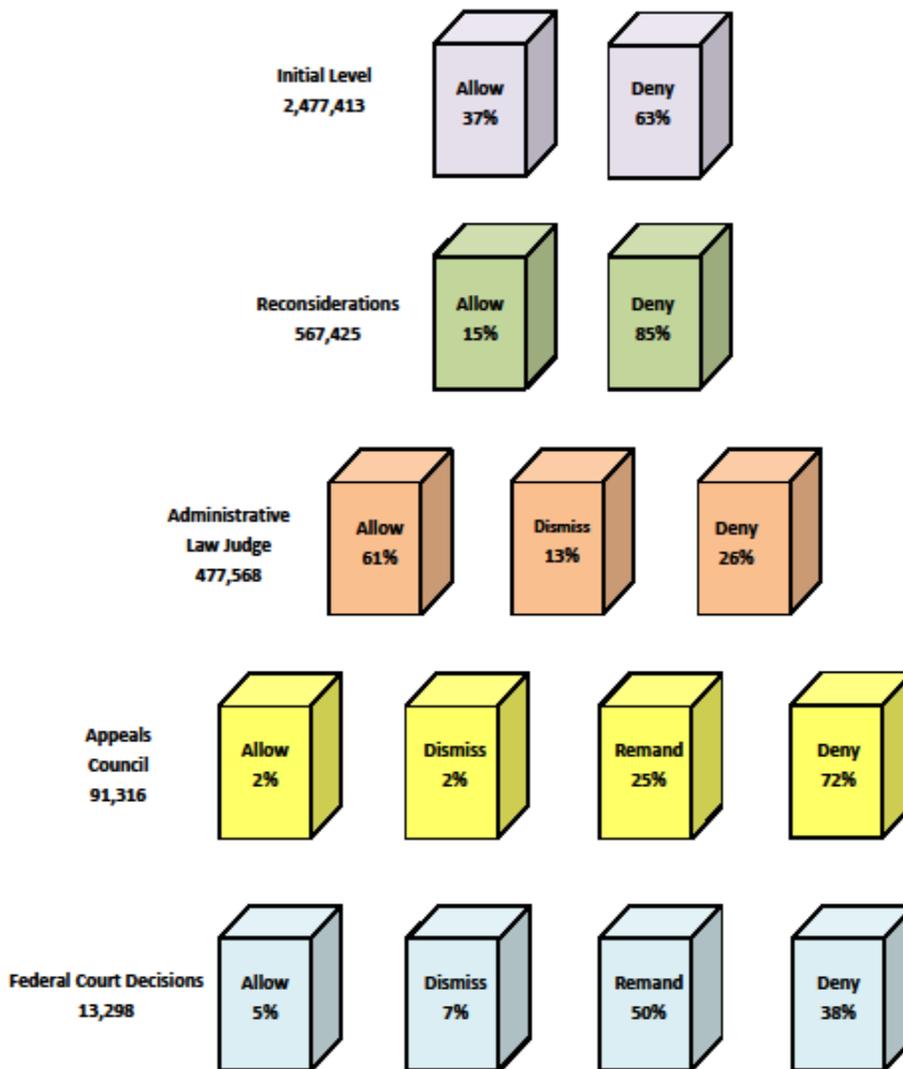
Acronyms

| | |
|--------|-----------------------------------|
| AC | Appeals Council |
| ALJ | Administrative Law Judge |
| C.F.R. | Code of Federal Regulations |
| CY | Calendar Year |
| DDS | Disability Determination Services |
| DI | 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 |

Disability Allowances, 2003 Through 2009

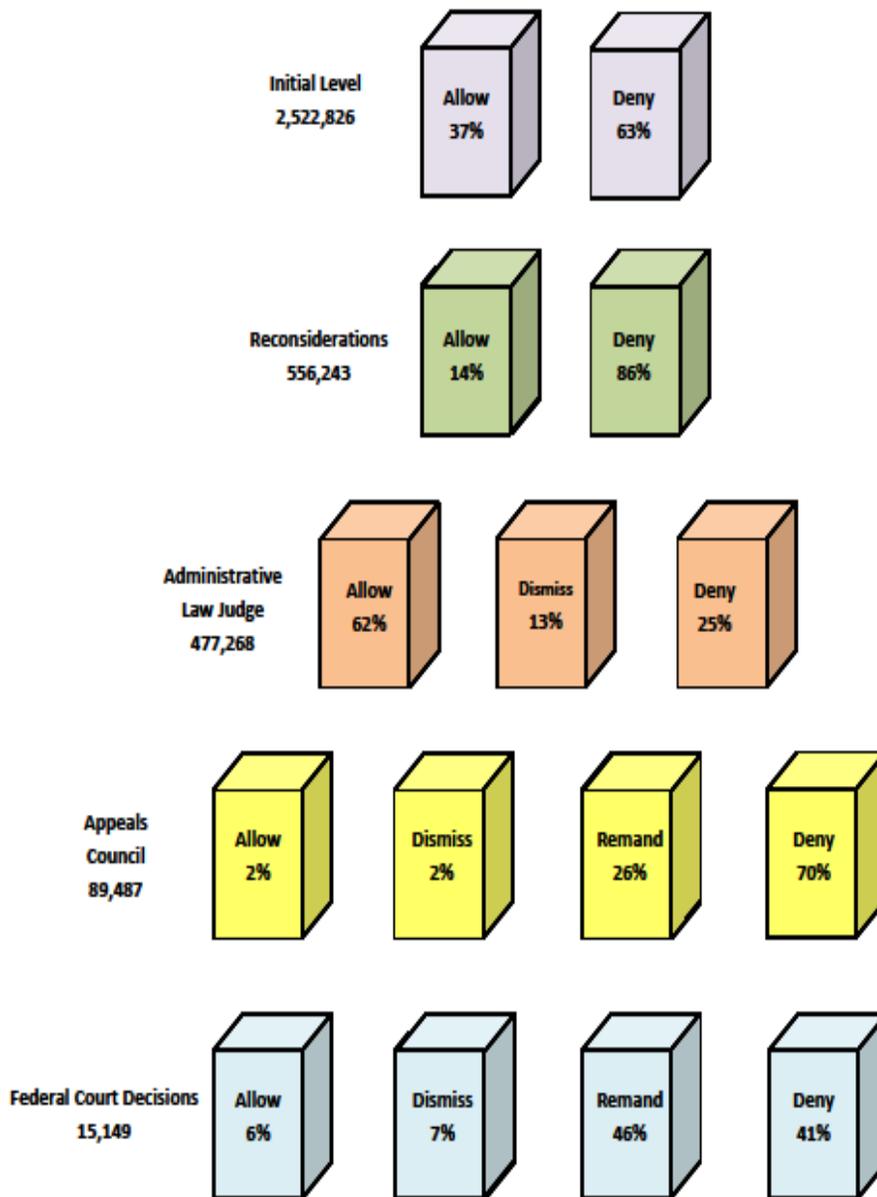
The charts below show all disability decisions processed in years 2003 through 2009.¹

FISCAL YEAR 2003 WORKLOAD DATA: DISABILITY DECISIONS

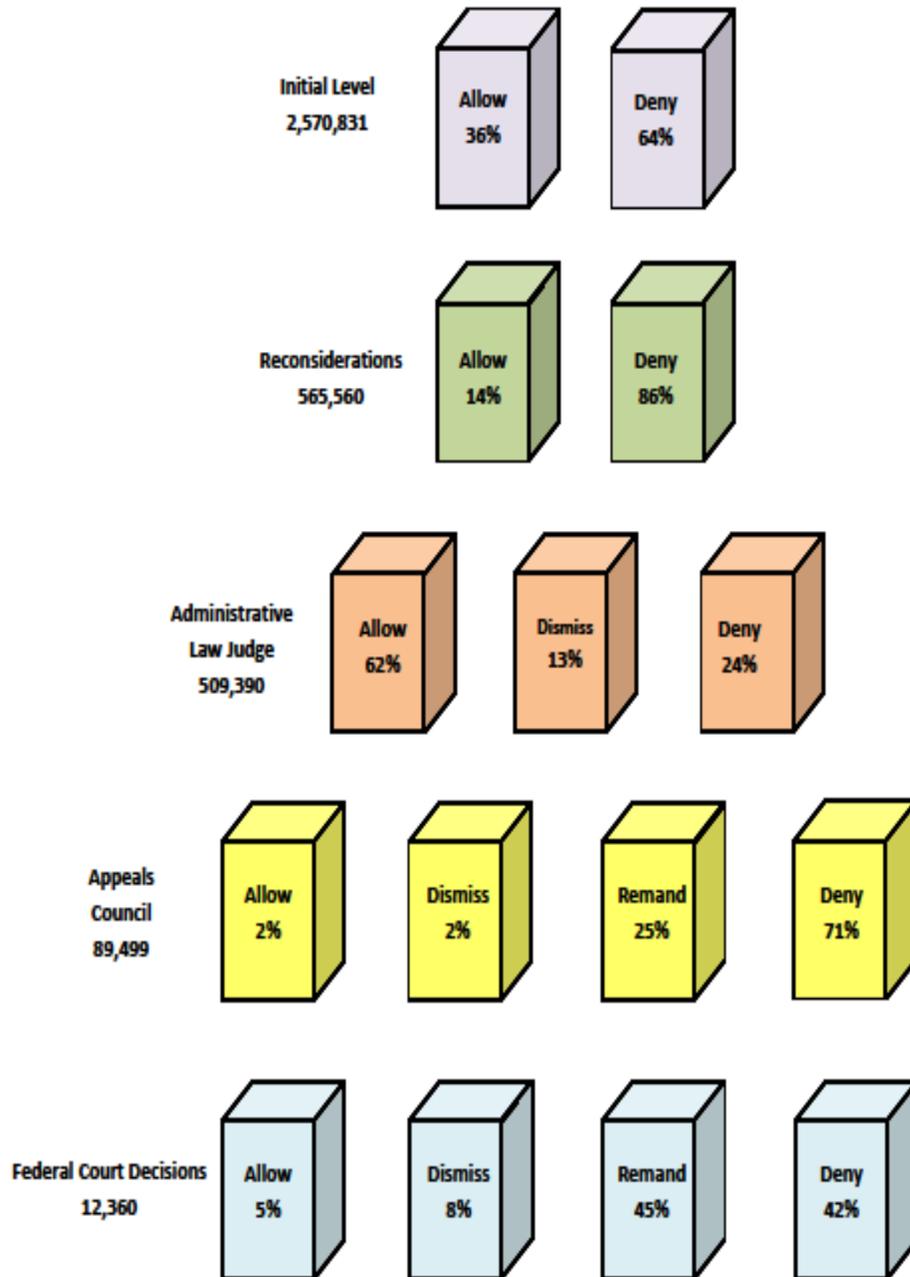


¹ Charts were prepared by the Office of Disability Program Management Information. Percents may not total 100 due to rounding.

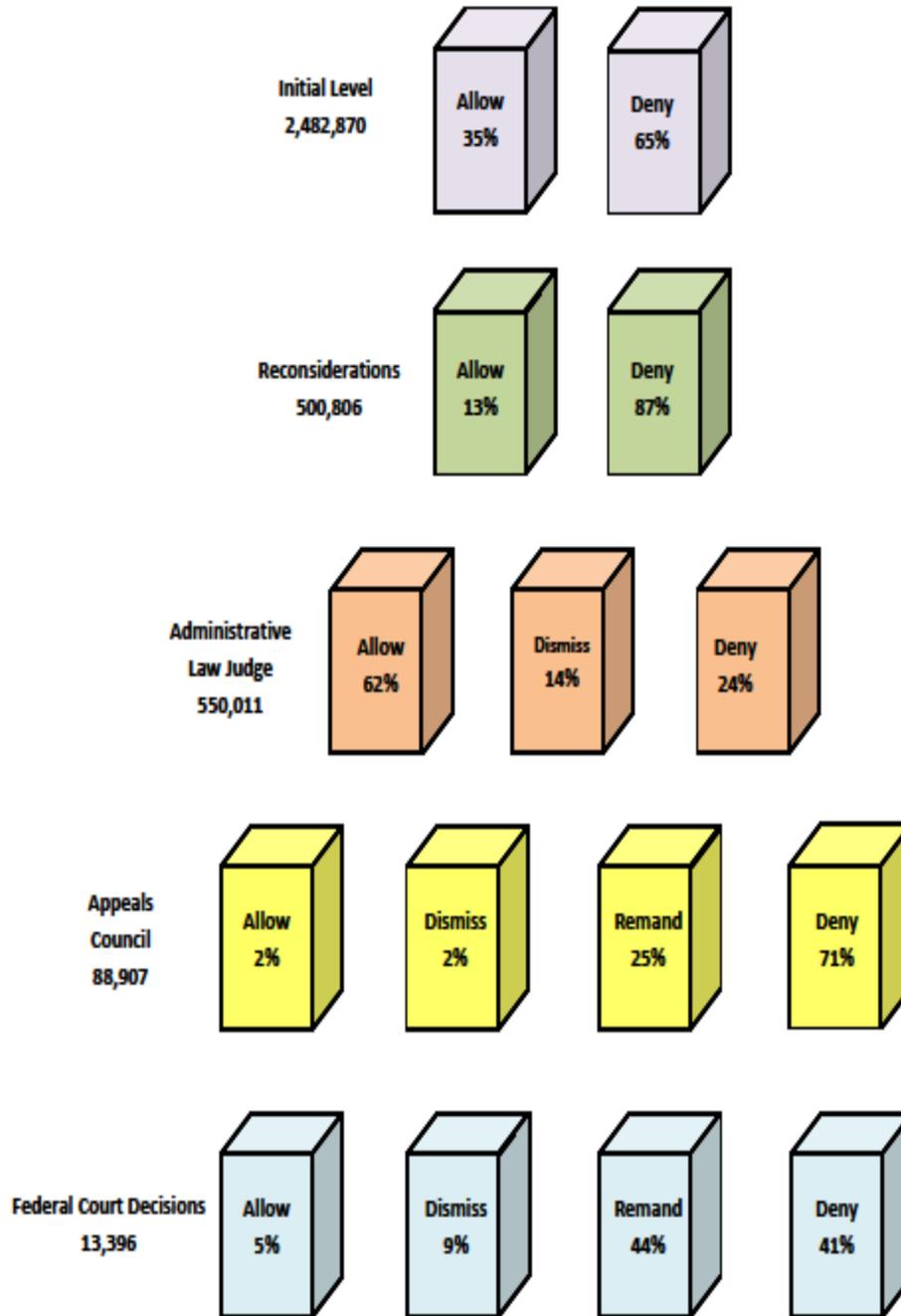
FISCAL YEAR 2004 WORKLOAD DATA: DISABILITY DECISIONS



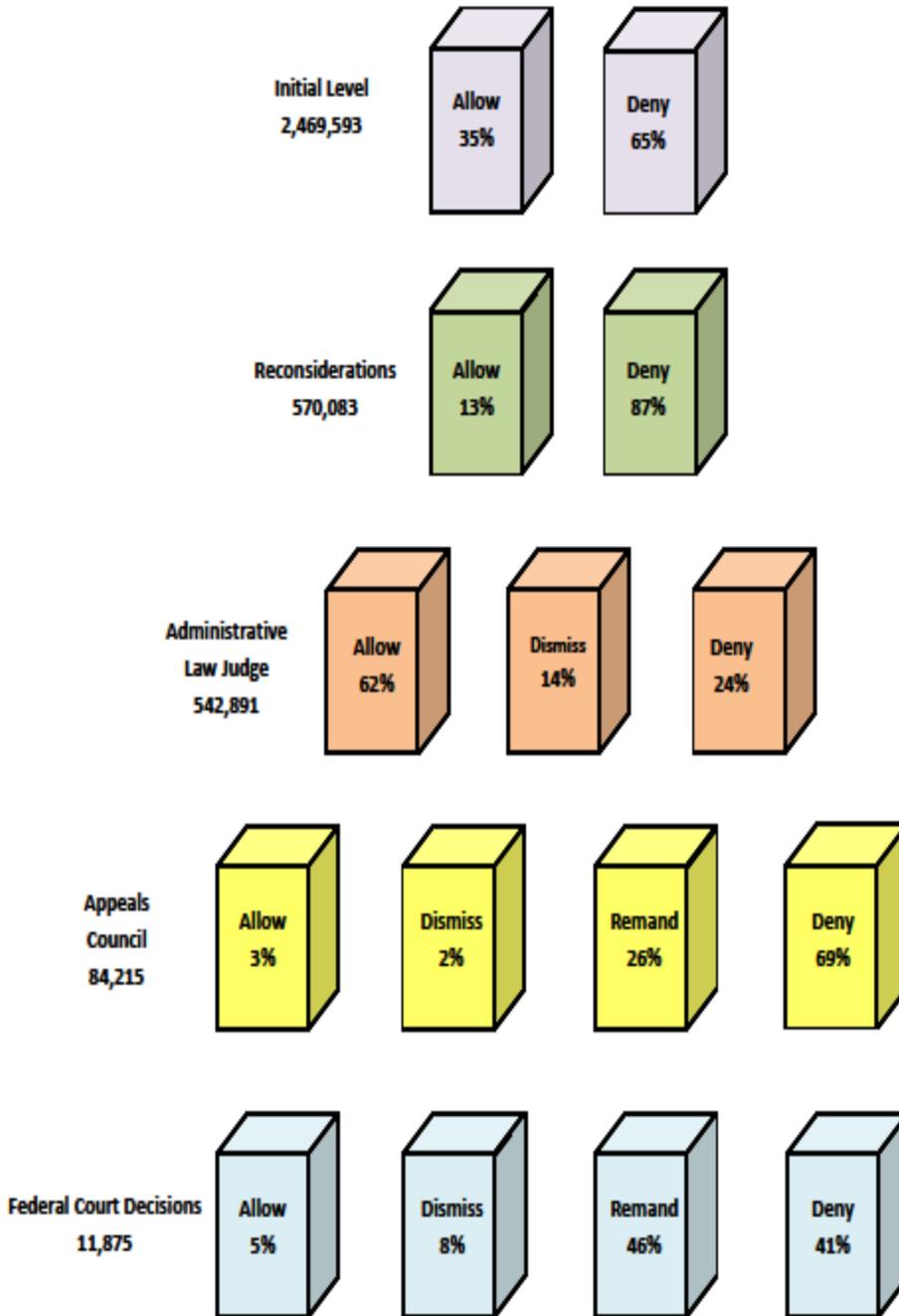
FISCAL YEAR 2005 WORKLOAD DATA: DISABILITY DECISIONS



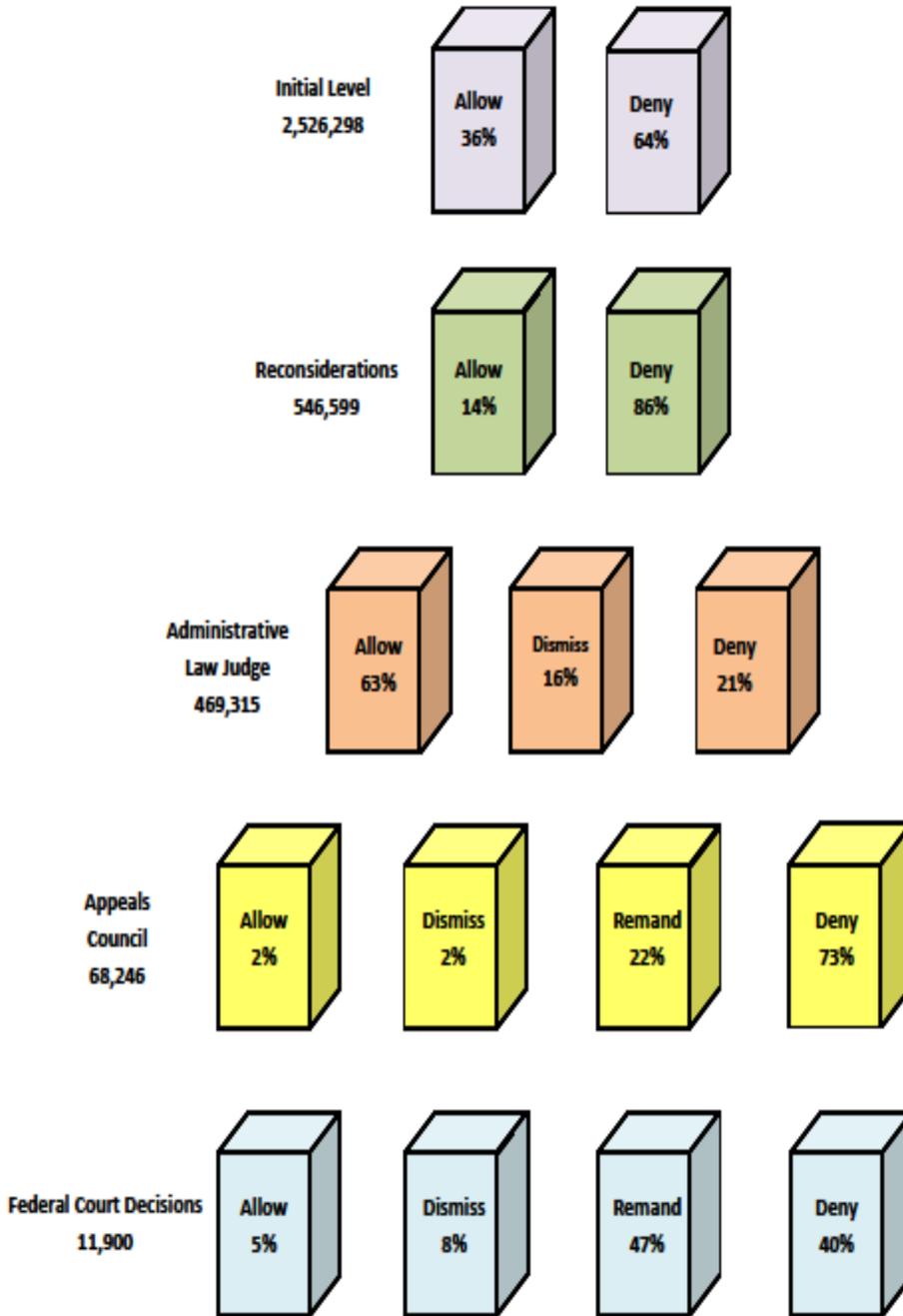
FISCAL YEAR 2006 WORKLOAD DATA: DISABILITY DECISIONS



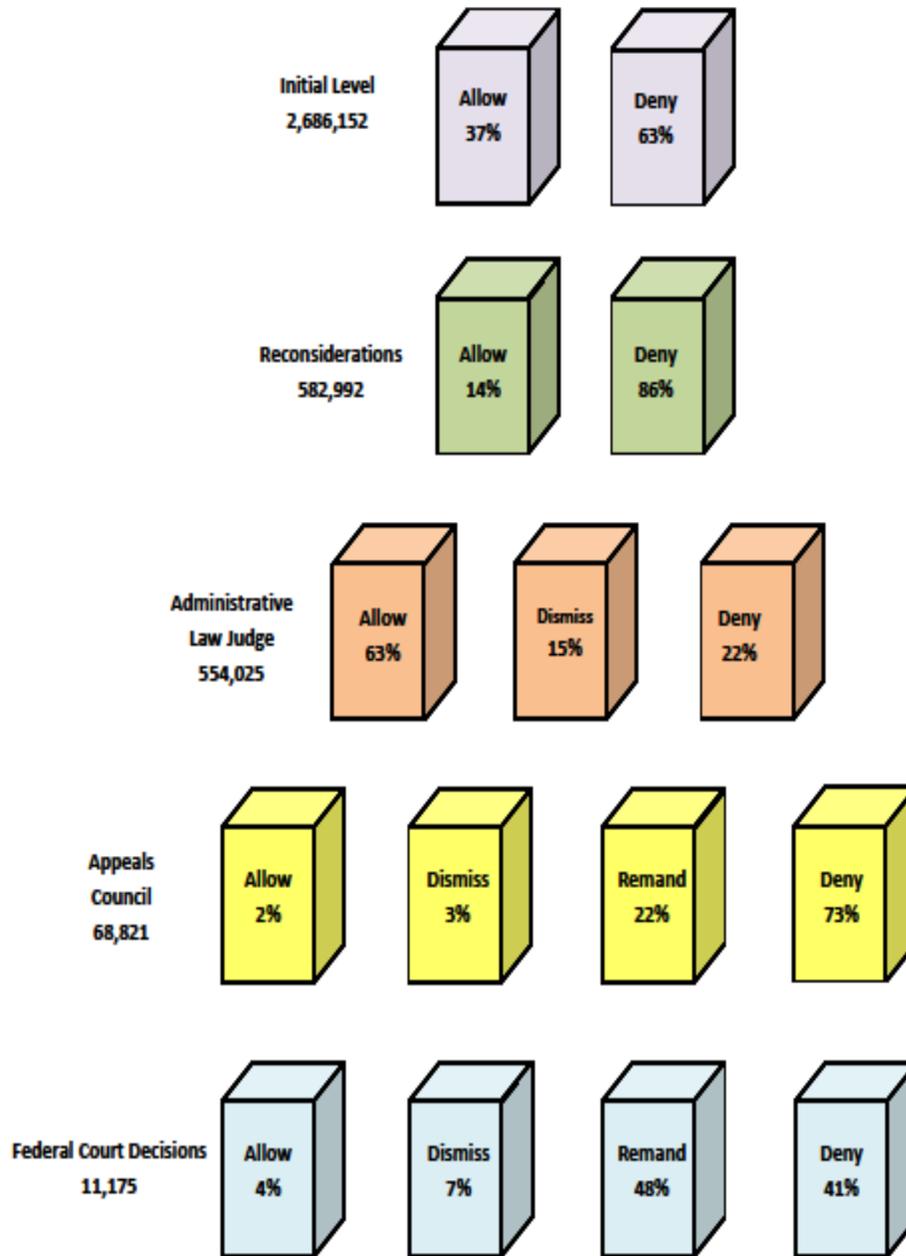
FISCAL YEAR 2007 WORKLOAD DATA: DISABILITY DECISIONS



FISCAL YEAR 2008 WORKLOAD DATA: DISABILITY DECISIONS



FISCAL YEAR 2009 WORKLOAD DATA: DISABILITY DECISIONS



Scope and Methodology

To accomplish our objective, we:

- Reviewed applicable sections of the *Social Security Act* and the Social Security Administration's (SSA) regulations, rules, policies, and procedures.
- Reviewed prior Office of the Inspector General reports.
- Obtained files of all disability claims with an initial, reconsideration, hearings, or Appeals Council allowance in Calendar Years 2003 through 2005 and 2007 through 2009.¹ From these files, we:
 - ✓ Identified 8,504 Disability Insurance claimants medically allowed for disability payments but not receiving them as of 2010, even though it appeared SSA should have paid the claim.
 - ✓ Identified 524 Supplemental Security Income claimants medically allowed for disability payments but not receiving them as of 2010, even though it appeared SSA should have paid the claim.
 - ✓ Reviewed SSA mainframe queries and conducted further analysis to identify 1,847 cases that appeared to need corrective action, as these claimants did not receive payment for their medical allowance issued in Calendar Years 2003 through 2005 and 2007 through 2009.²
 - ✓ Referred these 1,847 cases to SSA's Office of Operations for review and appropriate action. (We sent SSA 792 cases from June to August 2010 and the remaining 1,055 cases in November 2010.)
 - ✓ Reviewed these 1,847 cases to determine whether SSA took action to correct the case. If it appeared SSA took action, we calculated the amount of past-due benefits and quantified the number of months the case was underpaid.

We conducted our audit between July 2010 and May 2011 in Boston, Massachusetts. The entities audited were the offices of SSA's Regional Commissioners 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

¹ The files of initial and reconsideration claims included records for the Social Security number holder and others who filed on his or her record. The files of hearings level and appeals council level claims included only records for the Social Security number holder.

² We were able to exclude most cases. For example, some claimants (1) had received benefits for their medical allowance and were no longer eligible or (2) were never entitled to disability benefits because they did not meet the non-medical eligibility requirements.

provide a reasonable basis for our findings and conclusions based on our audit objective. We tested the data obtained for our audit and determined them to be sufficiently reliable to meet our objective. We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: May 25, 2011 Refer To: S1J-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, "Disability Insurance and Supplemental Security Income Claims Allowed But Not Paid" (A-01-10-10177)—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 Frances Cord at (410) 966-5787.

Attachment

**COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT,
“DISABILITY INSURANCE AND SUPPLEMENTAL SECURITY INCOME CLAIMS
ALLOWED BUT NOT PAID” (A-01-10-10177)**

We offer the following response to your recommendation.

Recommendation

Complete its work on the remaining cases of the 1,847 unpaid claimants we identified and ensure all past-due benefits are paid to beneficiaries as appropriate.

Response

We agree.

OIG Contacts and Staff Acknowledgments

OIG Contacts

Judith Oliveira, Director, Boston Audit Division

Phillip Hanvy, Audit Manager

Acknowledgments

In addition to those named above:

Katie Greenwood, Senior Auditor

Kevin Joyce, IT Specialist

David Mazzola, Audit Manager

Frank Salamone, Senior Auditor

David York, Program Analyst

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