



**SOCIAL SECURITY**  
Office of the Inspector General

September 28, 2010

The Honorable Sam Johnson  
Ranking Member  
Subcommittee on Social Security  
Committee on Ways and Means  
House of Representatives  
Washington, D.C. 20515

Dear Mr. Johnson:

On September 7, 2010, you requested a response to the following three questions:

1. Are there feasible/cost-effective improvements the Social Security Administration (SSA) could make to its existing process to identify and prevent improper payments or fraud related to individuals who returned to work and who no longer meet the eligibility criteria for Disability Insurance and/or Supplemental Security Income?
2. Do you have any recommendations for legislative changes that could prevent or address these issues?
3. What reports have you issued on these topics in the past? Please summarize any recommendations you made, SSA's response, and the status of those recommendations.

Thank you for the opportunity to provide the requested information. We are also forwarding a copy of this report to the Agency and to Chairman Earl Pomeroy of the Subcommittee on Social Security.

If you have any questions concerning this matter, please call me or have your staff contact Misha Kelly, Congressional and Intra-Governmental Liaison, at (202) 358-6319.

Sincerely,

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.  
Inspector General

Enclosure

cc:  
Michael J. Astrue  
Earl Pomeroy

# ***CONGRESSIONAL RESPONSE REPORT***

## ***The Social Security Administration's Process for Identifying and Preventing Improper Payments to Individuals Who Return to Work***

**A-01-11-21043**



September 2010

## 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.

## Authority

The Inspector General Act created independent audit and investigative units, called the Office of Inspector General (OIG). The mission of the OIG, as spelled out in the Act, is to:

- Conduct and supervise independent and objective audits and investigations relating to agency programs and operations.
- Promote economy, effectiveness, and efficiency within the agency.
- Prevent and detect fraud, waste, and abuse in agency programs and operations.
- Review and make recommendations regarding existing and proposed legislation and regulations relating to agency programs and operations.
- Keep the agency head and the Congress fully and currently informed of problems in agency programs and operations.

To ensure objectivity, the IG Act empowers the IG with:

- Independence to determine what reviews to perform.
- Access to all information necessary for the reviews.
- Authority to publish findings and recommendations based on the reviews.

## Vision

We strive for continual improvement in SSA's programs, operations and management by proactively seeking new ways to prevent and deter fraud, waste and abuse. We commit to integrity and excellence by supporting an environment that provides a valuable public service while encouraging employee development and retention and fostering diversity and innovation.

## OBJECTIVE

The objective of our review was to answer three questions from the Subcommittee on Social Security related to the Social Security Administration's (SSA) process for identifying and preventing improper disability benefit payments to individuals who return to work.

## BACKGROUND

SSA provides Disability Insurance (DI) and Supplemental Security Income (SSI) disability benefits to eligible individuals under Titles II and XVI of the *Social Security Act (Act)*.<sup>1</sup> An adult is considered disabled under the *Act* if he or she is unable to engage in any substantial gainful activity (SGA) by reason of a medically determinable physical or mental impairment that can be expected to result in death or has lasted or can be expected to last for a continuous period of at least 12 months.<sup>2</sup>

SSA defines SGA as work activity that involves significant physical or mental activities performed for pay or profit.<sup>3</sup> The Agency has criteria for determining when services performed (or earnings derived from services) demonstrate an individual's ability to engage in SGA.<sup>4</sup> For example, for Calendar Year (CY) 2010, SSA generally considered earnings above \$1,000 per month to reflect SGA for non-blind individuals and \$1,640 per month for blind individuals.<sup>5</sup>

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<sup>1</sup> The *Act* §§ 223 *et seq.* and 1611 *et seq.*, 42 U.S.C. §§ 423 *et seq.* and 1382 *et seq.*

<sup>2</sup> The *Act* §§ 216(i), 223(d)(1)(A), and 1614(a)(3)(A); 42 U.S.C. §§ 416(i), 423 (d)(1)(A), and 1382c(a)(3)(A). See also 20 C.F.R. §§ 404.1505 and 416.905. A child is considered to be disabled for SSI purposes under the *Act* if he or she has a medically determinable physical or mental impairment, which results in marked and severe functional limitations, and which can be expected to result in death or, which has lasted, or can be expected to last, for a continuous period of not less than 12 months. The *Act* § 1614(a)(3)(C)(i), 42 U.S.C. § 1382c(a)(3)(C)(i). See also 20 C.F.R. § 416.906. The *Act* also provides a separate definition of blindness for adults and children.

<sup>3</sup> 20 C.F.R. §§ 404.1572 and 416.972.

<sup>4</sup> 20 C.F.R. §§ 404.1573-404.1576. See also, SSA, POMS, DI 10500, *et seq.*

<sup>5</sup> SSA, POMS, DI 10501.015.

Under the DI program, a disabled beneficiary may work as long as it is not considered SGA.<sup>6</sup> Under the SSI program, a disabled recipient may work as long as his or her “countable earnings” are less than the income limit required for SSI payments.<sup>7</sup> SSA generally only uses SGA as a factor of SSI eligibility when initially determining whether someone is disabled.

Although disabled beneficiaries are required to report work activity,<sup>8</sup> they do not always do so. Therefore, SSA uses its Continuing Disability Review Enforcement Operation to compare earnings reported on its Master Earnings File (MEF) to the benefit rolls.<sup>9</sup> This Enforcement Operation identifies potentially unevaluated substantial earnings that may affect benefit entitlement and alerts SSA to review the earnings. SSA must perform a work-related continuing disability review (CDR) when earnings indicate the beneficiary has returned to work at the SGA level.<sup>10</sup>

The Agency also receives information on potential work activity through computer data matches with other Federal and state agencies. For example, SSA conducts a quarterly automated data matching operation with the Quarterly Wage file and Unemployment Compensation file in the Office of Child Support Enforcement’s National Directory of New Hires (NDNH) data base to verify eligibility and/or payment amounts under the SSI program and as an indicator for detecting work activity under the DI program.

Since establishing the DI and SSI programs, Congress has enacted many provisions to provide disabled beneficiaries with incentives to return to work. The work incentives

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<sup>6</sup> Disabled beneficiaries may work at SGA during a period of trial work and still receive benefits. Disabled beneficiaries may also work at SGA—without receiving benefits for any month in which they perform SGA—during a “reentitlement period” as long as they remain medically disabled. SSA also has a Benefit Offset Demonstration Project underway to determine the effect of various interventions in combination with a benefit offset on employment outcomes including wages, benefits, hours worked, and job retention. The Agency anticipates that this strategy may reduce barriers to work and allow beneficiaries with disabilities to increase their employment, earnings, and independence. The SSA OIG issued a report on the contract for the demonstration project—*Contract for the Benefit Offset National Demonstration Project with Abt Associates, Incorporated* (A-05-08-18041), March 2009.

<sup>7</sup> The income limit for SSI eligibility varies depending on the recipient’s circumstances. The *Act* §§ 1611 *et seq.*, 42 U.S.C. §§ 1382 *et seq.* See also SSA, POMS, DI 10505.020.

<sup>8</sup> 20 C.F.R. §§ 404.1588 and 416.988

<sup>9</sup> The MEF is a repository of earnings information maintained by SSA. SSA receives earnings data directly from employers on a yearly basis. For example, the four Federal payroll centers—which handle all Federal employees’ payroll—report earnings to SSA each year. These four payroll centers are the Department of Defense—Defense Financial and Accounting Service, General Services Administration—National Payroll Branch, Department of the Interior—National Business Center, and Department of Agriculture—National Finance Center. U.S. Office of Personnel Management, *Human Resources Line of Business Payroll Benchmarking Report*, October 2009, page 7.

<sup>10</sup> 20 C.F.R. §§ 404.1590(b)(5) and 416.990(b)(5). Because earnings posted to an individual’s earnings record may include amounts that are not related to current work (for example, bonuses, termination pay, or sick pay), SSA must evaluate the earnings to determine whether they represent earnings from SGA performed after entitlement to disability benefits began.

apply under the DI program, SSI program, or both. SSA must consider all these work incentives when conducting a work CDR before determining whether earnings are at the SGA level or impact SSI eligibility. (See Appendix D for a list of work incentives and Appendix E for a description of how work affects disability benefits.)

## **The Government Accountability Office's Report and Congressional Request**

In June 2010, the Government Accountability Office (GAO) issued a report on the *Social Security Administration: Cases of Federal Employees and Transportation Drivers and Owners Who Fraudulently and/or Improperly Received SSA Disability Payments* (GAO-10-444). This report provided information on SSA benefits paid to Federal employees, commercial drivers, and individuals registered with commercial vehicle companies. In August 2010, Congress held a hearing related to the results of the GAO review<sup>11</sup> and on September 7, 2010, the House Committee on Ways and Means, Subcommittee on Social Security, requested a response to the following three questions.

1. Are there feasible, cost-effective improvements SSA could make to its existing process to identify and prevent improper payments or fraud related to individuals who returned to work and no longer meet the eligibility criteria for DI benefits and/or SSI payments?
2. Do you have any recommendations for legislative changes that could prevent or address these issues?
3. What reports have you issued on these topics in the past? Please summarize any recommendations you made, SSA's response, and the status of those recommendations.

To perform this review, we obtained and reviewed information related to SSA's processes for identifying and preventing improper payments to disabled beneficiaries who return to work. We also reviewed prior Office of the Inspector General (OIG) reports related to this issue. (See Appendix B for additional information on our scope and methodology.)

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<sup>11</sup> *Social Security Disability Fraud: Case Studies in Federal Employees and Commercial Driver's Licenses*, Hearing before the United States Senate Committee on Homeland Security and Government Affairs, Subcommittee on Investigations, 111th Cong., August 4, 2010.

# Results of Review

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SSA has a number of projects underway or planned to improve the identification and prevention of improper payments to disabled beneficiaries who return to work. Also, the OIG has completed several reviews, and SSA continues to address recommendations in this area. Answers to the Subcommittee's three specific questions are below.

## **Question 1: Are there feasible, cost-effective improvements SSA could make to its existing process to identify and prevent improper payments or fraud related to individuals who returned to work and no longer meet the eligibility criteria for DI benefits and/or SSI payments?**

Yes, there are improvements SSA could make—or is making—to identify and prevent improper payments or fraud related to disabled beneficiaries who return to work and no longer meet eligibility criteria. However, the Agency would need to devote additional resources to effectively implement these improvements because reviewing work activity and earnings is a complex process that requires staff to consider all the return to work provisions in the *Act*.

The OIG's work has shown that SSA identifies beneficiaries who return to work through employer reports, computer matching with other Federal and State agencies, and other Agency projects. However, SSA must balance service initiatives (such as processing new claims) with stewardship responsibilities (such as conducting CDRs or redeterminations). Therefore, the Agency has not reviewed work activity for all beneficiaries and recipients who have earnings that may be substantial enough to impact their benefit payments. For example, our April 2009 review found that about \$1.3 billion in improper payments went undetected to about 49,000 DI beneficiaries who had work activity.<sup>12</sup>

Also, in our July 2009 and March 2010 reports, we stated that SSA had a significant backlog of CDRs and redeterminations—periodic reevaluations to determine whether beneficiaries are still disabled or still meet the nonmedical factors of eligibility, such as income or resources—because of resource limitations.<sup>13</sup> For instance, although SSA plans to conduct an increased number of medical CDRs in Fiscal Year (FY) 2011, the 1.5 million medical CDR backlog will most likely remain. We estimated in our March 2010 report that SSA will pay between \$556 million and \$1.1 billion in CY 2011

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<sup>12</sup> SSA OIG, *Follow-up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (A-01-08-28075)*, April 2009.

<sup>13</sup> SSA OIG, *Supplemental Security Income Redeterminations (A-07-09-29146)*, July 2009, and *Full Medical Continuing Disability Reviews (A-07-09-29147)*, March 2010.

that could have potentially been avoided had the medical CDRs in the backlog been conducted when they became due. (See Appendix C for more information on prior OIG reports.)

In a September 2010 draft report, we recommend SSA develop a computer matching agreement with the Department of Labor (DOL) to identify possible DI and SSI beneficiaries whose benefits do not reflect the *Federal Employees' Compensation Act* (FECA) compensation they received.<sup>14</sup> A matching agreement will allow SSA to perform matching activities similar to what we performed and take appropriate action for beneficiaries who have overpayments that result from SSA not taking into account FECA compensation.

### SSA Initiatives

CDRs and redeterminations are effective in reducing improper payments. SSA estimates that every \$1 spent on CDRs yields at least \$10 in lifetime program savings for Old-Age, Survivors and Disability Insurance, SSI, Medicare, and Medicaid and every \$1 spent on SSI redeterminations yields \$8 in program savings, including savings accruing to Medicaid. In FY 2011, SSA plans to conduct 360,000 medical CDRs and 2.4 million redeterminations.

In addition to CDRs and redeterminations, the Cooperative Disability Investigations (CDI) program identifies and prevents improper payments to disabled beneficiaries. The CDI program began in FY 1998; and the program's mission is to obtain evidence of material fact sufficient to resolve questions of fraud in SSA's disability programs. There are 22 CDI units operating in 19 States; and SSA and OIG continue to explore expansion based on the availability of funding. For FY 2010 (latest data is for October 1, 2009 through August 31, 2010), the CDI units confirmed 2,811 cases of fraud or similar fault and achieved \$221.6 million in savings for SSA's disability programs.<sup>15</sup>

Under the SSI program, recipients' (or their representative payees') failure to report to SSA increases or decreases in wages timely is one of the primary causes for both over- and underpayment errors and has been a perennial problem since the SSI program's inception.<sup>16</sup> To address this, SSA has an SSI Automated Telephone Wage Reporting

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<sup>14</sup> SSA OIG, *Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments* (A-15-09-19008), draft issued September 2, 2010. SSA is currently drafting a computer matching agreement for this purpose and has started discussions with DOL. In the agreement, the Agency will ask DOL to disclose Federal employee compensation benefit data to SSA. The disclosure will provide SSA with information necessary to verify the accuracy of payment eligibility factors for the SSI and DI programs.

<sup>15</sup> Fraud is when a person makes a false or incomplete statement that is material to a determination. Similar fault is when a person provides information that is incorrect or incomplete. Fraud generally requires establishing an intent to defraud, whereas similar fault does not.

<sup>16</sup> SSA, *Annual Report—Executive Order 13520, Reducing Improper Payments*, May 18, 2010, pages 7-8.

project that allows recipients to call a dedicated Agency telephone number to report their wages via a voice recognition system.<sup>17</sup>

SSA plans to establish an internet website for disability beneficiaries to report their wages easily and promptly. Based on the results of electronic reporting through the SSI telephone wage reporting process, the Agency expects these initiatives to reduce DI overpayments resulting from late reporting of earnings.

SSA is improving the information it provides to the public about the reporting responsibilities of beneficiaries and recipients. For example, the Agency is providing additional information in its disability publications on when, where, and how to submit work reports to SSA.

SSA convened a “Work CDR Workgroup” in January 2010 to identify and implement improvements and adopted the following recommendations:

- Dedicated staff to target the oldest cases—initially, cases over 365 days old, then a gradual reduction of the age threshold;
- Prioritized earnings alerts by amount of earnings and worked cases with highest earnings to minimize overpayments;
- Improved communication between operational components; and
- Allocated additional staff resources to conduct work CDRs.

SSA is developing a statistical predictive model to identify beneficiaries who are at risk of receiving high earnings-related overpayments and plans to begin testing this model in the fall of 2010. The predictive model will prioritize the alerts based on a variety of case characteristics, allowing the Agency to prioritize staff resources for enforcement activities and reduce the number and amount of work-related overpayments.

SSA is developing a proposal to simplify the work policies in the DI program. This proposal would reduce administrative complexity and workloads through program simplification; enhance correlation of program rules between DI and SSI, making them easier to explain and easier to understand; and encourage more DI beneficiaries to return to work since they would not face permanent loss of benefits and Medicare.

Where possible, the Agency now uses The Work Number (TWN) to verify the wages of individuals who report their earnings to SSA.<sup>18</sup> TWN provides free verification of wages to social service organizations. SSA is the largest Federal user of this free service, sending requests for wage verification for SSI recipients who have reported their earnings to the Agency. This free service is an important tool in verifying the wages of

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<sup>17</sup> SSA plans to extend the SSI telephone wage reporting system to DI beneficiaries and to investigate methods for automating the posting of wages to DI records.

<sup>18</sup> TWN is an SSA-approved employment and wage verification company which maintains an up-to-date database of the wages paid by about one-third of the nation’s employers.

individuals who have reported their earnings to SSA. It is not useful for discovering wages when recipients have not reported returning to work because the free service only verifies the wages for employers the Agency specifically requests.

In SSA's May 2010 *Annual Report to the OIG on Reducing Improper Payments*,<sup>19</sup> the Agency stated errors attributed to SGA accounted for nearly half of all Title II overpayment error dollars between FYs 2004 and 2008. Of these improper payments, 78 percent resulted from beneficiaries' failure to report work activity and 22 percent were associated with the Agency's failure to schedule a work CDR timely.

To address this "failure to report," SSA is reviewing the cases of beneficiaries with recent work activity to determine improvements in the work verification process. The Agency will examine when work alerts are generated, who reviews them, how long staff take to process them, and what the final results yield. Currently, many inconsequential work alerts are generated that result in additional unproductive work for SSA employees. Additionally, requests for work development are not initiated until an Agency employee reviews the work history based on alerts produced by postings to the MEF. SSA's analysis will determine whether it is more efficient to automate work development requests earlier in the process.

To address overpayments caused by failure to perform a work CDR, SSA plans to develop and pilot ways to simplify the work CDR process and improve the operational process of work reports and work reviews to reduce decision pending times. The Agency has a work CDR workgroup to identify and implement improvements.

The Agency studied the feasibility of a quarterly match between the Office of Child Support Enforcement's NDNH and SSA's MEF to identify work activity by DI beneficiaries. SSA's Office of Quality Performance did not recommend implementing this match because a large number of additional alerts would be generated, and the expected return on investment would be low.<sup>20</sup>

Also, with the passage of Executive Order 13520 on November 20, 2009 and the signing of the *Improper Payments Elimination and Recovery Act of 2010* on July 22, 2010, there is a greater emphasis on addressing improper payments.<sup>21</sup> The July 2010 law enables Agencies—such as SSA—to use not more than 25 percent of certain overpayments collected through recovery audits to address improper

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<sup>19</sup> SSA, *Annual Report—Executive Order 13520, Reducing Improper Payments*, May 18, 2010.

<sup>20</sup> SSA, Office of Quality Performance, Cost Benefit Analysis for a Pilot Computer Match between the Office of Child Support Enforcement Quarterly Wage File and the DI Master Beneficiary Record, July 2010. However, a few field offices in one SSA region have reported using the quarterly earnings data to manually identify claims with a high likelihood of overpayments due to earnings and to initiate work CDRs earlier than through SSA's normal business process.

<sup>21</sup> *The Improper Payments Elimination and Recovery Act of 2010*, Pub. L. No. 111-204, July 22, 2010, 124 Stat. 2224.

payments.<sup>22</sup> Additionally, OIGs may use not more than 5 percent of certain overpayments collected through recovery audits.<sup>23</sup> Office of Management and Budget (OMB) guidance on this law has not been issued, and we are waiting for clarification on whether the recovery audit provisions apply to overpayments recovered from beneficiaries or only to certain overpayments, such as those recovered from contractors. We initiated discussions with SSA on August 12, 2010, and the Agency has contacted OMB and obtained an opinion from its Office of the General Counsel.

Even if SSA received earnings data—such as Federal payroll information—more frequently, Agency staff still needs to review the earnings. Similarly, data on individuals with commercial driver’s licenses or commercial vehicle ownership would require staff review.<sup>24</sup> SSA cannot simply stop benefit payments because it is notified that a beneficiary is working. For instance, because earnings reported to SSA may include amounts that are not related to current work—such as bonuses, termination pay, and sick pay—SSA must evaluate the earnings to determine whether they represent earnings from SGA performed after entitlement to disability benefits began, or whether the earnings exceeded the “countable earnings” threshold. SSA must also assess trial work and other work incentive provisions. This review (that is, a work CDR or SSI redetermination) is a labor-intensive process, and the staff resources to do it compete against the Agency’s need to complete other priority workloads.

## **Question 2: Do you have any recommendations for legislative changes that could prevent or address these issues?**

Although reforms to simplify SSA’s programs are undoubtedly difficult to implement, we believe reducing the complexity of these programs, without sacrificing their intent, would help reduce millions of dollars in improper payments that occur each year. For example, since SSA has to evaluate earnings and work incentives before stopping benefits when someone works—and cannot simply stop paying benefits because wages are reported—simplifying these provisions could have a positive impact.

The President’s FY 2011 Budget submission for SSA contains a proposal to change the Federal wage reporting process from annual to quarterly reporting. A change of this nature would increase the frequency that employers report wages to SSA, improving the timeliness of the work CDR process. Currently, work alerts are not generated until the year following the earnings posting to the MEF. This change would permit many alerts to be generated and processed in the same year as the work is performed, provided the Agency has the resources to process the work—thereby reducing the number of overpayments made that result when beneficiaries fail to report their work activity timely.

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<sup>22</sup> *Id.* §§ (2)(h)(3)(B) and (C).

<sup>23</sup> *Id.* § (2)(h)(3)(D).

<sup>24</sup> In response to GAO’s report, SSA questioned the value of using these data to evaluate continuing eligibility for disability when the data do not have specific income records associated with them.

We encourage SSA to continue supporting legislative proposals to improve the identification and prevention of improper payments in its programs. Also, we believe future consideration should be given to seeking congressional support to simplify the Agency's programs.

Additionally, the OIG community is pursuing an exemption to the *Computer Matching and Privacy Protection Act of 1988* (5 U.S.C. 552a(o)). Specifically, on July 22, 2010 the Chairman and Ranking Member of the United States House of Representatives Committee on Oversight and Government Reform introduced H.R. 5815, *The Inspector General Authority Improvement Act of 2010*.<sup>25</sup> This bill includes language that would exempt OIGs from certain restrictions in the *Privacy Act* that forbid the use of computer matching programs to compare Federal records against other Federal and non-Federal records.<sup>26</sup> The OIG community has taken the position that these computer matching restrictions weaken OIG efforts to detect improper payments and identify weaknesses that make Federal programs vulnerable to fraud, waste, and abuse. H.R. 5815 narrowly tailors its computer matching exemption to audits, inspections, or investigations designed to identify weaknesses that make a program vulnerable to fraud, waste, or abuse and to detect improper payments and fraud.

This year, Congress enacted a law excluding the Department of Health and Human Services (HHS) and HHS OIG from complying with certain aspects of the *Computer Matching and Privacy Protection Act* provisions if the computer match activity is to identify potential fraud, waste, and abuse.<sup>27</sup> However, neither SSA nor SSA OIG has a similar exclusion.

### **Question 3: What reports have you issued on these topics in the past? Please summarize any recommendations you made, SSA's response, and the status of those recommendations**

In recent years, the OIG has issued seven reports related to improper payments to disabled beneficiaries or recipients who return to work. In general, the recommendations centered on SSA's need to perform more work CDRs, medical CDRs, and SSI redeterminations. Also, SSA should continue to pursue legislation for a self-funding integrity fund to finance this activity.<sup>28</sup> The reports are listed below and more details—including the recommendations from the reports, SSA's response, and the status of those recommendations—are included in Appendix C.

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<sup>25</sup> 111<sup>th</sup> Cong. 2010.

<sup>26</sup> *The Inspector General Authority Improvement Act of 2010*, §4.

<sup>27</sup> *The Patient Protection and Affordable Care Act*, Pub. L. No. 111-148, § 6402(b)(2), 124 Stat. 119, 756, March 23, 2010. Codified at 5 U.S.C. 552a(a)(8)(B)(ix).

<sup>28</sup> See SSA OIG, *Opportunities and Challenges for the SSA* (A-08-09-29152), April 2009, page 14, for information on integrity fund proposal.

1. *Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (A-01-03-13019)*, July 2004.
2. *Disabled Supplemental Security Income Recipients with Earnings (A-01-04-14085)*, April 2005.
3. *Social Security Administration Employees Receiving Benefits (A-01-07-27116)*, December 2007.
4. *Unprocessed Manual Recalculations for Title II Payments (A-03-07-17090)*, August 2008.
5. *Follow-up on Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (A-01-08-28075)*, April 2009.
6. *Supplemental Security Income Redeterminations (A-07-09-29146)*, July 2009.
7. *Full Medical Continuing Disability Reviews (A-07-09-29147)*, March 2010.

## *Conclusion*

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SSA has a number of projects underway or planned to improve the identification and prevention of improper payments to disabled beneficiaries who return to work. Also, the OIG has completed several reviews and SSA continues to address recommendations in this area.

# Appendices

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APPENDIX A – Acronyms

APPENDIX B – Scope and Methodology

APPENDIX C – Prior Office of the Inspector General Reports

APPENDIX D – Work Incentives

APPENDIX E – How Work Affects Disability Benefits

## Acronyms

Act	<i>Social Security Act</i>
AERO	Automatic Earnings Reappraisal Operations
AFI	Access to Financial Institutions
AWIC	Area Work Incentive Coordinators
CDI	Cooperative Disability Investigations
CDR	Continuing Disability Review
CDREO	Continuing Disability Review Enforcement Operation
C.F.R.	Code of Federal Regulations
CY	Calendar Year
DCF	Disability Control File
DI	Disability Insurance
DOL	Department of Labor
FECA	<i>Federal Employees' Compensation Act</i>
FO	Field Office
FY	Fiscal Year
GAO	Government Accountability Office
MEF	Master Earning File
MSSICS	Modernized Supplemental Security Income Claims System
NDNH	National Directory of New Hires
OASDI	Old-Age, Survivors and Disability Insurance
OI	Office of Investigations
OIG	Office of the Inspector General
OMB	Office of Management and Budget
POMS	Program Operations Manual System
Pub. L. No.	Public Law Number
RZ	Redetermination
SGA	Substantial Gainful Activity
SSA	Social Security Administration
SSI	Supplemental Security Income
SSR	Supplemental Security Record
TWN	The Work Number
U.S.C.	United States Code

# Scope and Methodology

To achieve our objective, we:

- Reviewed the *Social Security Act* and the Social Security Administration's (SSA) regulations, rules, policies, and procedures on disability case processing.
- Obtained information on Federal employee payroll data.
- Researched improvements SSA is making to prevent improper payments to disabled beneficiaries who return to work.
- Contacted SSA officials and staff to gather information regarding legislative changes SSA has proposed/is considering, related to identifying and/or preventing improper payments or fraud related to individuals who returned to work and no longer meet eligibility criteria for Disability Insurance benefits and/or Supplemental Security Income payments.
- Reviewed prior SSA Office of the Inspector General reports related to disabled beneficiaries returning to work and summarized the recommendations, SSA's response, and the status of the recommendations.

We conducted our review during September 2010 in Boston, Massachusetts. The principal entity audited was the Office of Public Service and Operations Support under the Office of the Deputy Commissioner for Operations. We conducted our review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspections*.

## Prior Office of the Inspector General Reports

Below is a summary of recent reports we have issued related to identifying and preventing improper payments or fraud to individuals who returned to work and who no longer meet the eligibility criteria for Disability Insurance benefits and/or Supplemental Security Income (SSI) payments.

<b>Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (A-01-03-13019) July 2004</b>		
<b>Findings</b>	We found that a substantial portion of the earnings were not evaluated by the Agency. We estimate that (a) \$1.37 billion in overpayments resulting from about 63,000 disabled beneficiaries' work activity was not identified; (b) 39,100 disabled beneficiaries (of the estimated 63,000 beneficiaries) were no longer entitled to benefits because of their substantial work; and (c) the Social Security Administration (SSA) had not identified about 34,760 disabled beneficiaries who engaged in trial work.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should review past cases where significant earnings are present on the Master Earnings File (MEF) and no determination has been made regarding trial work and/or substantial gainful activity (SGA).	SSA agreed, where it is cost beneficial to do so and as resources permit, to review the cases with significant earnings on the MEF where no determination has been made regarding trial work/SGA and take action.	Due to the sheer volume of work involved, SSA decided it would not be a prudent use of its limited resources. SSA considers this recommendation closed.

<b>Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (A-01-03-13019) July 2004</b>		
<b>Findings</b>	We found that a substantial portion of the earnings were not evaluated by the Agency. We estimate that (a) \$1.37 billion in overpayments resulting from about 63,000 disabled beneficiaries' work activity was not identified; (b) 39,100 disabled beneficiaries (of the estimated 63,000 beneficiaries) were no longer entitled to benefits because of their substantial work; and (c) the Social Security Administration (SSA) had not identified about 34,760 disabled beneficiaries who engaged in trial work.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should ensure that future earnings enforcements are adequately controlled by management and resolved timely.	<p>SSA agreed. SSA agreed to track earnings enforcement through the use of its automated system, the Continuing Disability Review Enforcement Operation (CDREO), which uses the MEF and specific criteria to identify beneficiaries who have worked and whose work activity appears to warrant further review.</p> <p>The Agency initiated steps to improve and accelerate the process of wage reporting for individuals who returned to work. Changes have been made within SSA's Regional Offices to establish a corps of fully trained Area Work Incentive Coordinators (AWIC) nationwide. The AWIC's primary responsibility involves the monitoring of area work incentive workloads and activities. The roll-out of eWork, which provides a centralized location that will use evidence of work activity to schedule and process work-related continuing disability reviews (CDR).</p>	SSA will continue to make process improvements and establish rigorous controls to ensure that every time a W-2 (or Schedule SE), which indicates the disabled beneficiary may have returned to work, is reported to the MEF that the Agency either evaluates those earnings timely or follows up with the appropriate component to ensure that evaluation is completed. The Agency's automated system, the CDREO, uses the MEF and specific criteria to identify disabled beneficiaries whose work activity needs further review. The CDREO system has been integrated with the Disability Control File (DCF) which controls the earnings enforcement issues that the CDREO system generates. SSA implemented a comprehensive matching interface, to provide verification of earnings for both Title II and XVI beneficiaries. Finally, fully trained AWICs have a primary responsibility of monitoring area work incentive workloads and activities, thus assisting in ensuring that earnings enforcements will be properly managed and resolved timely. SSA considers this recommendation closed.

<b>Disabled Title II Beneficiaries with Earnings Reported on the Master Earnings File (A-01-03-13019) July 2004</b>		
<b>Findings</b>	We found that a substantial portion of the earnings were not evaluated by the Agency. We estimate that (a) \$1.37 billion in overpayments resulting from about 63,000 disabled beneficiaries' work activity was not identified; (b) 39,100 disabled beneficiaries (of the estimated 63,000 beneficiaries) were no longer entitled to benefits because of their substantial work; and (c) the Social Security Administration (SSA) had not identified about 34,760 disabled beneficiaries who engaged in trial work.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should ensure that earnings reported on the MEF or disclosed on beneficiary-completed forms are evaluated when medical CDRs are performed or mailer CDR forms are received.	SSA agreed. SSA agreed to provide employment support training to all direct service employees that will, with the aid of the automation effort discussed above, help ensure that all reported earnings are evaluated. The DCF has the ability to control both a pending work issue and a pending medical issue at the same time. Prior to November 2002, SSA could only control one issue at a time.	SSA provided employment support training to all direct service employees in the fall of 2003. Also, the DCF has the ability to control both a pending work issue and a pending medical issue at the same time. eWork has also been developed as a way to control and process disability work activity and work CDRs. The recommendation is considered closed.
SSA should ensure that earnings resulting in benefit increases are evaluated to determine whether trial work activity and/or SGA were performed.	SSA agreed. By enhancing its ability to control and timely resolve earnings enforcements, the Agency will also be able to ensure that earnings resulting in benefit increases are evaluated. All earnings that would be indicative of a return to work and that would result in a benefit increase will trigger controlled earnings enforcement actions.	By enhancing the ability to control and timely resolve earnings enforcements, SSA will be able to ensure that earnings resulting in benefit increases are evaluated. All earnings which would be indicative of a return to work and that would result in a benefit increase will trigger controlled earnings enforcement actions. The recommendation is considered closed.

<b>Disabled Supplemental Security Income Recipients with Earnings (A-01-04-14085) April 2005</b>		
<b>Findings</b>	We identified some overpayments that were previously undetected because not all the recipients' earnings were considered in the SSI payment calculations. We estimated that approximately \$12.4 million was overpaid to about 11,880 recipients because SSA did not previously consider all their earnings when calculating SSI payment amounts.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should ensure that earnings-related diaries resulting from computer matches are adequately controlled by management and resolved timely.	SSA agreed. Payments are more accurate when earnings discrepancies are identified and resolved within the time frames afforded by the Agency's administrative finality regulations. Adequate controls are provided to the regional offices, area offices, and field offices (FO) through the instructions given them regarding the number and time frame for clearance of SSI redetermination and limited issue cases. Additionally, the Modernized Supplemental Security Initial Claims System (MSSICS) enhancements provide further management controls by now precluding redetermination clearances unless the active computer match diaries are properly addressed. Through the use of management monitoring tools, management has the ability to accurately track the clearance of redetermination and limited issue cases. By April 1, 2005, SSA planned to issue a reminder to FO managers to keep tight control of earnings-related diaries so that they are resolved in a timely manner.	In March 2005, SSA published an Administrative Message which reminded FO employees to take all appropriate actions to control and properly post earnings to the Supplemental Security Record (SSR). The recommendation is considered closed.

<b>Disabled Supplemental Security Income Recipients with Earnings (A-01-04-14085) April 2005</b>		
<b>Findings</b>	We identified some overpayments that were previously undetected because not all the recipients' earnings were considered in the SSI payment calculations. We estimated that approximately \$12.4 million was overpaid to about 11,880 recipients because SSA did not previously consider all their earnings when calculating SSI payment amounts.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should remind FO employees to: (a) review earnings recorded on the MEF whenever redeterminations and limited issue reviews are performed, (b) review and resolve any discrepancies that exist between the MEF and the SSR, and (c) transmit earnings data to the SSR when recorded in MSSICS.	SSA agreed. Use of RZwiz is mandatory. RZwiz was implemented to improve detection of wages, the single greatest cause of SSI payment error. RZwiz improves the RZ [redetermination] interview (the most error prone stage of the process) by providing staff with an easy-to-use tool that automatically retrieves, consolidates, and interprets queries used during the redetermination interview.	According to SSA, the Agency has taken the necessary steps to address these issues. Since March 27, 2002, the Agency has required the use of the RZwiz application, a computer program designed to provide interview assistance for SSI redetermination or limited issue cases. It is not intended to replace the SSR, but instead highlights error-prone areas, such as earned income for the eligible individual, eligible spouse, and deemors (parents and/or spouses of disabled children and adults whose income is used to determine the disabled individual's or child's SSI payment amount). This recommendation is considered closed.

<b>SSA Employees Receiving Benefits (A-01-07-27116) December 2007</b>		
<b>Findings</b>	Overall, SSA ensured that employees who are also entitled to Old-Age, Survivors and Disability Insurance (OASDI) or SSI are paid the appropriate benefits. However, we identified 8 employees (out of 194 who received benefits) who were overpaid \$245,311 in OASDI benefits because of their earnings. By stopping these benefits, the Agency will save \$124,176 over the next 12 months. We referred these eight employees to our Office of Investigations (OI) for criminal investigation. As of November 2007, three of these eight cases were with the United States (U.S.) Attorney's Office or the District Attorney's Office for prosecution due to possible fraud. For another three cases, the U.S. Attorney's Office declined to prosecute the cases and they were being handled by SSA administratively. Also, in the remaining two cases, SSA was taking administrative action.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
None. SSA took corrective action on the cases during the review.	As the report indicates, SSA generally paid OASDI benefits correctly to its employees who were entitled to them, but improperly paid benefits to eight employees identified in the OIG's review. SSA has taken the necessary corrective actions and will continue with its efforts to detect and prevent fraudulent and improper payments.	Not applicable; SSA took corrective action during the audit.

<b>Unprocessed Manual Recalculations for Title II Payments (A-03-07-17090) August 2008</b>		
<b>Findings</b>	We estimated that SSA did not adjust Title II benefits or assess over/underpayments when earnings were removed from 5,440 beneficiaries' earnings records—resulting in about \$5 million in improper payments. The Agency was not aware of the need to review the benefit amounts for approximately 5,020 of these beneficiaries. Also, we estimated about 4,660 of these beneficiaries will be paid an additional \$1.2 million annually because their ongoing benefits were not corrected when SSA removed the earnings.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should review the remaining 944 cases (from the 1,077 we identified) to ensure benefits have been adjusted appropriately.	SSA agreed. By January 1, 2009, the Agency planned to complete its review of the remaining 944 cases to ensure the adjustment to benefits were appropriately completed.	According to SSA, the Agency reviewed the 944 cases and adjusted benefits when warranted. This recommendation is considered closed.
SSA should ensure the Automatic Earnings Reappraisal Operation (AERO) identifies all cases that meet the criteria for manual review when earnings are removed from individuals' earnings records.	SSA agreed. The Agency utilized the records from the audit to try to duplicate the cited problems. Its investigation included interaction with personnel from the General Utility Earnings Summarization Tool area, which provides the earnings to the AERO process. SSA was unable to identify any software errors in the AERO process. However, the Agency planned to attempt to replicate the problem scenario during the AERO validation cycle in October 2008. If any software errors were identified, SSA planned to evaluate the proper solution and make the necessary changes/enhancements depending on available resources.	According to SSA, the Agency completed the AERO run (with the software enhancements) on March 26, 2009. This recommendation is considered closed.

<b>Unprocessed Manual Recalculations for Title II Payments (A-03-07-17090) August 2008</b>		
<b>Findings</b>	We estimated that SSA did not adjust Title II benefits or assess over/underpayments when earnings were removed from 5,440 beneficiaries' earnings records—resulting in about \$5 million in improper payments. The Agency was not aware of the need to review the benefit amounts for approximately 5,020 of these beneficiaries. Also, we estimated about 4,660 of these beneficiaries will be paid an additional \$1.2 million annually because their ongoing benefits were not corrected when SSA removed the earnings.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should develop a cost effective method for prioritizing the review of AERO alerts, ensuring that alerts most likely to result in overpayments are worked first.	SSA agreed. However, the Agency planned to pursue this recommendation in accordance with, but not at the expense of, working the oldest pending cases first. AERO alerts that result in overpayments are in the backlog because they do not meet the criteria for quick completion during the screening operation. The payment centers already have many priority workloads. SSA believed that prioritizing the review of AERO alerts would likely create delays in other priority workloads. Therefore, the Agency planned to evaluate its policy, resources, and systems capabilities to determine the feasibility of implementing a cost-effective method of ensuring that SSA processed the AERO alerts most likely to result in overpayments before other similarly aged AERO alerts that are not likely to result in overpayments.	SSA staff from the Office of Retirement and Survivors Insurance Systems, Office of Quality Performance, Office of Automation Support, Office of Income Security Programs, Office of General Counsel, and the processing centers met and were unable to develop a cost-effective method for prioritizing the review of AERO alerts to ensure that the alerts most likely to result in overpayments are worked first. This recommendation is considered closed.

<b>Follow-up on Disabled Title II Beneficiaries with Earning Reported on the Master Earnings File (A-01-08-28075) April 2009</b>		
<b>Findings</b>	We estimate about \$1.3 billion in overpayments to approximately 49,000 beneficiaries went undetected by SSA. Furthermore, we estimate about 24,000 of the 49,000 beneficiaries were no longer entitled to disability benefits because of work activity.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should develop and implement a plan to allocate more resources to timely perform work-related CDRs—and assess overpayments resulting from work activity—for cases identified by the Agency's earnings enforcement process.	SSA agreed. With the resources provided by the Recovery Act and the Fiscal Year 2009 appropriations, field offices will be able to reduce the pending levels of workloads, including work CDRs.	<p>According to SSA, a workgroup convened in January 2010. Improvements were made as follows.</p> <ul style="list-style-type: none"> <li>• Thousands of extraneous items were deleted from the work CDR Management Information data source.</li> <li>• Establishment of an Agency report to track work CDRs—currently being validated.</li> <li>• Strike teams were formed to streamline work CDR processing and reduce the pending aged cases; and quarterly reports are made to track progress.</li> <li>• An overpayment report specific to work CDRs is being considered.</li> <li>• Enforcement cases are now prioritized and processed by highest earnings.</li> </ul> <p>This recommendation is still open.</p>

<b>Supplemental Security Income Redeterminations (A-07-09-29146) July 2009</b>		
<b>Findings</b>	The number of SSI redeterminations conducted by SSA substantially decreased although the number of SSI recipients has increased. Between FYs 2003 and 2008, redeterminations decreased by more than 60 percent. According to SSA, it was not able to conduct as many redeterminations as needed because of budget limitations and increases in SSA's core workloads. We estimate SSA could have saved an additional \$3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should establish a methodology to identify the number of redeterminations that are needed each year. To the extent the annual number of necessary redeterminations is not completed, identify the lost savings and document the reasons the number of needed redeterminations was not completed.	SSA agreed. The Agency planned to develop such a methodology and, when necessary, report on lost savings.	This recommendation is still open.
SSA should establish a methodology to identify the cost-savings ratio for redeterminations conducted each year.	SSA agreed. The Agency planned to develop a cost-savings ratio methodology.	This recommendation is still open.

<b>Supplemental Security Income Redeterminations (A-07-09-29146) July 2009</b>		
<b>Findings</b>	The number of SSI redeterminations conducted by SSA substantially decreased although the number of SSI recipients has increased. Between FYs 2003 and 2008, redeterminations decreased by more than 60 percent. According to SSA, it was not able to conduct as many redeterminations as needed because of budget limitations and increases in SSA's core workloads. We estimate SSA could have saved an additional \$3.3 billion during FYs 2008 and 2009 by conducting redeterminations at the same level it did in FY 2003.	
<b>Recommendations</b>	<b>SSA's Comments to Recommendation</b>	<b>Status of Recommendation</b>
SSA should continue to pursue the establishment of a self-funding program integrity fund.	SSA agreed. The Agency continues to support innovative ways to fund program integrity work.	<p>The <i>Improper Payments Elimination and Recovery Act</i> which was enacted on July 22, 2010, included provisions for funding additional improper payment reduction activities from the results of recovery audits. Office of Management and Budget (OMB) guidance on this law has not been issued, and we are waiting for clarification on whether the recovery audit provisions apply to overpayments recovered from beneficiaries or only to certain overpayments, such as those recovered from contractors.</p> <p>SSA indicated that the Agency supports innovative ways to fund program integrity work. SSA considers this recommendation closed.</p>

**Full Medical Continuing Disability Reviews (A-07-09-29147) March 2010**

<p><b>Findings</b></p>	<p>According to SSA, resource limitations and increases in its core workloads prevented it from conducting full medical CDRs when they became due. As a result, SSA estimated a backlog of over 1.5 million full medical CDRs would exist at the end of FY 2010. SSA has made, and will continue to make, benefit payments to individuals who would no longer be eligible if the backlog of 1.5 million full medical CDRs had been conducted when they became due.</p> <p>From Calendar Year (CY) 2005 through CY 2010, we estimate SSA will have made benefit payments of between \$1.3 and \$2.6 billion that could have potentially been avoided if the full medical CDRs in the backlog had been conducted when they became due.</p> <p>Although SSA plans to conduct an increased number of full medical CDRs in FY 2011, the 1.5 million full medical CDR backlog will most likely remain. Therefore, we estimate SSA will pay between \$556 million and \$1.1 billion during CY 2011 that could have potentially been avoided if the full medical CDRs in the backlog had been conducted when they became due.</p>	
<p><b>Recommendations</b></p>	<p><b>SSA's Comments to Recommendation</b></p>	<p><b>Status of Recommendation</b></p>
<p>SSA should continue to work with Congress to secure the funds necessary to eliminate the existing full medical CDR backlog and to conduct the CDRs that become due each year. To the extent resources are not available to conduct the CDRs that become due each year, SSA should report the reasons and the associated impact on Federal benefit payments in its annual CDR Report to Congress.</p>	<p>SSA disagreed with the second part of this recommendation. Processing more full medical CDRs is not a simple resource issue that can be isolated in a report separate from the rest of the Agency's annual budget request. To process more full medical CDRs, SSA stated it must have sufficient resources to increase its overall capacity to do more program integrity reviews while handling the growing initial claims workloads. Moreover, the amount of time it takes to prepare the annual report to Congress undermines the usefulness of including this type of information in the annual report.</p>	<p>This recommendation is considered closed.</p>

### Work Incentives

Under the Disability Insurance (DI) program, a disabled beneficiary generally may work as long as it is not considered substantial gainful activity (SGA). SGA means the performance of significant physical or mental activities in work for pay or profit, or in work of a type generally performed for pay or profit.<sup>1</sup> Under the Supplemental Security Income (SSI) program, a disability recipient may also work as long as his or her “countable earnings” are less than the income limit required for SSI payments.<sup>2</sup> The Social Security Administration (SSA) generally only uses SGA as a factor of SSI eligibility when initially determining whether someone is disabled.

Since establishing these programs, Congress has enacted many provisions to provide disabled beneficiaries with incentives to return to work, and SSA has included some additional incentives. These work incentives apply under the DI program, SSI program, or both.

#### DI Work Incentives

- **Trial Work Period:** Beneficiaries may work for 9 months within a 60-month rolling period without suffering a loss of benefits. As of 2010, a trial work month is any month in which earnings are above \$720.<sup>3</sup>
- **Reentitlement Period (Extended Period of Eligibility):** This 36-month period follows the end of the trial work period. During this time, a beneficiary may receive a benefit for any month in which earnings fall below the SGA limit—as long as he or she continues to have a disabling impairment.<sup>4</sup>
- **Extended Medicare Coverage:** Medicare is a Federal program that provides premium-free hospital insurance and supplemental medical insurance for any disabled individual who is eligible for DI benefits (in most cases, after a 24-month waiting period). With the passage of the Extended Medicare Coverage provision,

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<sup>1</sup> 20 C.F.R. §§ 404.1572 and 416.972. See also SSA, POMS, DI 10501.001. As of 2010, “countable earnings” of employees indicate SGA and “countable income” of self-employed individuals is “substantial” if the amount averages more than \$1,000 per month for non-blind individuals or \$1,640 for blind individuals. SSA, POMS, DI 10501.015 B and C.

<sup>2</sup> The income limit for SSI eligibility varies depending on the recipient’s circumstances. The *Social Security Act* (Act) §§ 1611 *et seq.*, 42 U.S.C. §§ 1382 *et seq.* See also SSA, POMS, DI 10505.020.

<sup>3</sup> The Act § 222(c), 42 U.S.C. § 422(c). See also SSA, POMS, DI 13010.060.

<sup>4</sup> The Act § 223(e), 42 U.S.C. § 423(e). See also 20 C.F.R. § 404.1592a.

when a person's DI benefits cease due to SGA, his or her Medicare coverage may continue for at least 93 more months (or about 8 years).<sup>5</sup>

- **Protection from Medical Continuing Disability Reviews (CDR):** If an individual has been eligible for disability benefits for 2 years, SSA will not conduct a medical CDR for a beneficiary solely because the individual returns to work.<sup>6</sup>
- **No Waiting Period:** If a beneficiary stops receiving disability benefits because of medical recovery or SGA and becomes entitled to benefits again within the next 5 years, he or she may not have to serve the 5-month waiting period again before receiving benefits.<sup>7</sup>
- **Unincurred Business Expenses:** SSA excludes from self-employed net earnings the value of any self-employment business support provided to a disabled person at no cost.<sup>8</sup>
- **Unsuccessful Work Attempt:** An unsuccessful work attempt is a disabled individual's effort to do substantial work that either stopped or fell below the SGA limit in 6 months or less because of the individual's disabling condition or removal of special conditions related to the disability. SSA does not consider earnings during an unsuccessful work attempt to be SGA.<sup>9</sup>

## SSI Work Incentives

- **Continuation of Medicaid Eligibility:** Medicaid is a State-administered health insurance program for people with low income and resources. Most SSI disability recipients are eligible for Medicaid, which is administered by the States.<sup>10</sup> With the passage of the Continuation of Medicaid Eligibility provision, when a recipient's SSI payments stop because of earnings, his or her Medicaid coverage may continue if he or she cannot afford similar medical care and depends on Medicaid to work.<sup>11</sup>

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<sup>5</sup> The Act § 226(b)(2), 42 U.S.C. § 426(b)(2).

<sup>6</sup> The Act § 221(m)(1)(A), 42 U.S.C. § 421(m)(1)(A). The Agency extended this protection to individuals receiving both DI and SSI benefits. 20 CFR § 404.1590(j). A medical CDR is a review of a beneficiary's disabling condition to determine whether he or she continues to be disabled.

<sup>7</sup> The Act § 223(a)(1)(E), 42 U.S.C. § 423(a)(1)(E).

<sup>8</sup> 20 C.F.R. §§ 404.1575(c) and 416.975(c).

<sup>9</sup> 20 C.F.R. § 404.1574(c).

<sup>10</sup> The Act § 1843 *et seq.*, 42 U.S.C. § 1395v *et seq.*

<sup>11</sup> The Act § 1619(b), 42 U.S.C. § 1382h(b).

- **Earned Income Exclusion:** SSA does not count \$65 of a recipient's monthly earned income plus one-half of the remaining earnings.<sup>12</sup>
- **Student Earned Income Exclusion:** For a recipient under age 22 who is regularly attending school, SSA excludes up to \$1,640 of earned income per month. The maximum annual exclusion is \$6,600.<sup>13</sup>
- **Work Expenses of the Blind:** For a blind recipient who works, SSA may exclude any expense from his or her earned income that was attributable to earning that income. Some examples include income taxes, meals consumed during work hours, or transportation to and from work.<sup>14</sup>
- **Plan for Achieving Self-Support:** SSA excludes a recipient's income and resources needed to obtain a specific job, vocational training, or start a business.<sup>15</sup>
- **Property Essential to Self-Support:** SSA excludes as a resource any property that is essential for a recipient's self-support, such as property used in a trade or business.<sup>16</sup>
- **Reinstating Eligibility Without a New Application:** A beneficiary does not need to file a new application to reinstate SSI payments or Medicaid coverage if he or she has been ineligible for SSI for 12 months or less.

## DI and SSI Work Incentives

- **Ticket to Work Program:** This voluntary program assists disabled beneficiaries in obtaining free employment services, vocational rehabilitation services, and other support services needed to get or keep a job. It also protects beneficiaries from receiving a medical CDR while participating in the program.<sup>17</sup>
- **Expedited Reinstatement of Benefits:** Up to 5 years after a disabled individual stops receiving benefits because of work, he or she may request benefits again without filing a new application.<sup>18</sup>

<sup>12</sup> The Act § 1612(b)(4), 42 U.S.C. § 1382a(b)(4), 20 C.F.R. § 416.1112(c).

<sup>13</sup> The Act § 1612(b)(1), 42 U.S.C. § 1382a(b)(1). See also SSA, POMS, TC 17001.020.

<sup>14</sup> The Act § 1612(b)(4)(A), 42 U.S.C. § 1382a(b)(4)(A).

<sup>15</sup> The Act §§ 1612(b)(4) and 1613(a)(4), 42 U.S.C. §§ 1382a(b)(4) and 1382b(a)(4).

<sup>16</sup> The Act § 1613(a)(3), 42 U.S.C. § 1382b(a)(3).

<sup>17</sup> The Act § 1148 *et seq.*, 42 U.S.C. § 1320b-19 *et seq.*

<sup>18</sup> The Act §§ 223(i)(1) and 1631(p)(1), 42 U.S.C. §§ 423(i)(1) and 1383(p)(1).

- **Impairment Related Work Expenses:** SSA excludes from earnings the cost of certain impairment-related items or services that a disabled person needs to work. Some examples include medical devices and prostheses.<sup>19</sup>
- **Continued Payments under a Vocational Rehabilitation or Similar Program:** Beneficiaries who medically recover while receiving vocational rehabilitation or other support services that will likely lead to becoming self-supported may continue to receive benefits.<sup>20</sup>
- **Subsidies and Special Conditions:** Subsidies and special conditions refer to support received on the job, such as close supervision. If this support results in the beneficiary receiving more earnings than his or her services were worth, SSA will not count these additional earnings.<sup>21</sup>

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<sup>19</sup> The Act §§ 223(d)(4)(A) and 1612(b)(4)(B), 42 U.S.C. §§ 423(d)(4)(A) and 1382a(b)(4)(B); 20 C.F.R. §§ 404.1576 and 416.976.

<sup>20</sup> The Act §§ 225(b) and 1631(a)(6), 42 U.S.C. §§ 425(b) and 1383(a)(6).

<sup>21</sup> SSA, POMS, DI 00115.065 A.3.

## **How Work Affects Disability Benefits**

### **DISABILITY INSURANCE BENEFICIARIES**

#### **Trial Work Period**

Disability Insurance (DI) beneficiaries are granted trial work periods during which they may test their ability to work while still receiving benefits.<sup>1</sup> If the Social Security Administration (SSA) determines a beneficiary continues to be disabled after the trial work period ends, benefits can continue to be paid during a reentitlement period.<sup>2</sup> During this period, SSA will not pay benefits for any month in which the beneficiary engages in substantial gainful activity (SGA) but will pay benefits for any month in which the beneficiary does not engage in SGA. If the beneficiary engages in SGA at any time after the extended period of eligibility, SSA will find that the individual is no longer disabled.

#### **Detecting and Evaluating Unreported Earnings**

Although disabled beneficiaries are required to report work activity,<sup>3</sup> individuals do not always do so. Therefore, SSA uses its Continuing Disability Review Enforcement Operation to compare earnings reported on the Agency's Master Earnings File (MEF) to the benefit rolls.<sup>4</sup> This Enforcement Operation identifies potentially unevaluated substantial earnings that may affect benefit entitlement and alerts SSA to review the earnings. SSA must perform a work-related continuing disability review (CDR) when earnings indicate the beneficiary has returned to work at the SGA level.<sup>5</sup> In 2004, the Agency implemented an automated system called eWork to assist in controlling and processing work-related issues and CDRs.

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<sup>1</sup> SSA, POMS, DI 13010.035. Generally, beneficiaries are granted 9 trial work months (which do not need to be consecutive) during a rolling 60-month period. During the trial work months, beneficiaries can work SGA and still receive a benefit.

<sup>2</sup> SSA, POMS, DI 13010.210. The extended period of eligibility begins with the month immediately following the completion of the trial work period and lasts 36 consecutive months.

<sup>3</sup> 20 C.F.R. § 404.1588.

<sup>4</sup> The MEF is a repository of earnings information maintained by SSA.

<sup>5</sup> 20 C.F.R. § 404.1590(b)(5). Because earnings posted to an individual's earnings record may include amounts that are not related to current work (for example, bonuses, termination pay, and sick pay), SSA must evaluate the earnings to determine whether they represent earnings from SGA performed after entitlement to disability benefits began.

## **SUPPLEMENTAL SECURITY INCOME RECIPIENTS**

### **Detecting and Evaluating Unreported Earnings**

SSA relies heavily on recipient self-disclosure of all financial resources, as well as computer matching with other Federal and State agencies, to ensure payment accuracy. According to SSA, many Supplemental Security Income (SSI) overpayments result from recipients' failure to report changes in income (such as earnings).<sup>6</sup>

### **Redeterminations**

The SSI program requires that individuals' income, resources and living arrangements be assessed each month to determine eligibility and payment amounts. Therefore, SSA conducts redeterminations<sup>7</sup> and limited issue reviews<sup>8</sup> to ensure recipients remain eligible for SSI payments. Scheduled redeterminations are selected annually or once every 6 years, depending on the likelihood of payment error. Unscheduled redeterminations and limited issue reviews are also completed when SSI recipients report—or SSA discovers—certain changes in circumstances that could affect continuing SSI payment amounts (for example, earnings discrepancies identified through computer matches).<sup>9</sup> According to SSA, redeterminations are the Agency's most powerful tools in identifying and preventing SSI overpayments.<sup>10</sup>

### **Modernized Supplemental Security Income Claims System**

SSA's Modernized Supplemental Security Income Claims System (MSSICS) is the primary data collection and processing system for the SSI program. SSA uses the system to process and document SSI events. Use of the system maintains a permanent and accessible record of a claimant's SSI initial application and any subsequent transactions. For example, when a field office employee verifies the earnings of an SSI recipient, the earnings are recorded in MSSICS. For the earnings to be used in the SSI payment calculations, the employee must transmit the information from MSSICS to the SSR.

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<sup>6</sup> SSA Annual Report—Executive Order 13520, Reducing Improper Payments, May 18, 2010.

<sup>7</sup> Redeterminations are periodic reviews of the non-medical factors of SSI eligibility (20 C.F.R. § 416.204). SSA's policy requires field office employees to resolve discrepancies that may exist between earnings on the MEF and the SSR during redeterminations (SSA, POMS SI 02305.071).

<sup>8</sup> Limited issue reviews are redeterminations that are limited in scope and do not require a full review of eligibility (for example, when a discrepancy is identified by a computer match). Once the discrepancy is resolved, the limited issue is cleared.

<sup>9</sup> SSA, *Annual Report of the Supplemental Security Income Program*, May 2003, page 82.

<sup>10</sup> SSA, *Performance Plan for Fiscal Year 2004 and Revised Final Performance Plan for Fiscal Year 2003*, page 38.

## Computer Data Matches

SSA conducts several computer matches with Federal and State agencies to detect and verify unreported (or underreported) earnings. For example, in 1998, SSA began running quarterly matches against wage data maintained by the Office of Child Support Enforcement's National Directory of New Hires database. In addition, SSA compares earnings recorded on its MEF to the earnings used to calculate SSI payments as shown on the SSR. When significant discrepancies are found from either of these matches, diaries are established to alert Field Office employees to the need for a review based on the match.<sup>11</sup>

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<sup>11</sup> SSA's diary alerts result when matches identify earnings discrepancies of at least \$1,000 per year (or \$250 per quarter).

## ***DISTRIBUTION SCHEDULE***

Commissioner of Social Security

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Committee on the Budget, House of Representatives

Chairman and Ranking Minority Member, Committee on Oversight and Government Reform

Chairman and Ranking Minority Member, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, House of Representatives

Chairman and Ranking Minority Member, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Subcommittee on Labor, Health and Human Services, Education and Related Agencies, Committee on Appropriations, U.S. Senate

Chairman and Ranking Minority Member, Committee on Finance

Chairman and Ranking Minority Member, Subcommittee on Social Security Pensions and Family Policy

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

## **Overview of the Office of the Inspector General**

The Office of the Inspector General (OIG) is comprised of an Office of Audit (OA), Office of Investigations (OI), Office of the Counsel to the Inspector General (OCIG), Office of External Relations (OER), and Office of Technology and Resource Management (OTRM). To ensure compliance with policies and procedures, internal controls, and professional standards, the OIG also has a comprehensive Professional Responsibility and Quality Assurance program.

### **Office of Audit**

OA conducts financial and performance audits of the Social Security Administration's (SSA) programs and operations and makes recommendations to ensure program objectives are achieved effectively and efficiently. Financial audits assess whether SSA's financial statements fairly present SSA's financial position, results of operations, and cash flow. Performance audits review the economy, efficiency, and effectiveness of SSA's programs and operations. OA also conducts short-term management reviews and program evaluations on issues of concern to SSA, Congress, and the general public.

### **Office of Investigations**

OI conducts investigations related to fraud, waste, abuse, and mismanagement in SSA programs and operations. This includes wrongdoing by applicants, beneficiaries, contractors, third parties, or SSA employees performing their official duties. This office serves as liaison to the Department of Justice on all matters relating to the investigation of SSA programs and personnel. OI also conducts joint investigations with other Federal, State, and local law enforcement agencies.

### **Office of the Counsel to the Inspector General**

OCIG provides independent legal advice and counsel to the IG on various matters, including statutes, regulations, legislation, and policy directives. OCIG also advises the IG on investigative procedures and techniques, as well as on legal implications and conclusions to be drawn from audit and investigative material. Also, OCIG administers the Civil Monetary Penalty program.

### **Office of External Relations**

OER manages OIG's external and public affairs programs, and serves as the principal advisor on news releases and in providing information to the various news reporting services. OER develops OIG's media and public information policies, directs OIG's external and public affairs programs, and serves as the primary contact for those seeking information about OIG. OER prepares OIG publications, speeches, and presentations to internal and external organizations, and responds to Congressional correspondence.

### **Office of Technology and Resource Management**

OTRM supports OIG by providing information management and systems security. OTRM also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OTRM is the focal point for OIG's strategic planning function, and the development and monitoring of performance measures. In addition, OTRM receives and assigns for action allegations of criminal and administrative violations of Social Security laws, identifies fugitives receiving benefit payments from SSA, and provides technological assistance to investigations.