OIG Office *of the* Inspector General
SOCIAL SECURITY ADMINISTRATION

Audit Report

Incorrect Payments to Disabled Beneficiaries Who Return to Work

A-07-17-50131 | May 2018

OIG Office of the Inspector General
SOCIAL SECURITY ADMINISTRATION

MEMORANDUM

Date: May 15, 2018 **Refer To:**

To: The Commissioner

From: Acting Inspector General

Subject: Incorrect Payments to Disabled Beneficiaries Who Return to Work (A-07-17-50131)

The attached final report presents the results of the Office of Audit's review. Our objective was to determine the amount and cause of incorrect payments issued to disabled beneficiaries who worked after the Trial Work Period.

If you wish to discuss the final report, please call me or have your staff contact Rona Lawson, Assistant Inspector General for Audit, 410-965-9700.

Gale Stallworth Stone

Gale Stallworth Stone

Attachment

Incorrect Payments to Disabled Beneficiaries Who Return to Work
A-07-17-50131

SOCIAL SECURITY ADMINISTRATION OIG

May 2018 **Office of Audit Report Summary**

Objective

To determine the amount and cause of incorrect payments issued to disabled beneficiaries who work after the Trial Work Period (TWP).

Background

When a disabled beneficiary works, the Social Security Administration (SSA) conducts a work continuing disability review (CDR) to determine whether the beneficiary can engage in substantial gainful activity (SGA).

When conducting a work CDR, SSA must consider the effect of work incentives, such as the TWP. The TWP allows disabled beneficiaries to test their ability to work without the threat of losing benefits. The TWP is complete when a beneficiary works 9 months above an established limit within a rolling 60-month period.

After the TWP ends, the Extended Period of Eligibility (EPE) begins. During the first 36 months of the EPE—the re-entitlement period—SSA evaluates monthly earnings based on the SGA threshold. After a one-time grace period, SSA suspends benefits for any month earnings exceed the SGA threshold. If earnings exceed the SGA threshold after the re-entitlement period, SSA terminates benefits.

SSA stated overpayments occur when individuals fail to report earnings in a timely manner or SSA does not process work CDRs properly.

Findings

Of the 200 sampled beneficiaries, SSA determined 97 had earnings that exceeded SGA after the TWP. Of the 97, SSA incorrectly paid 77. The Agency also incorrectly paid one beneficiary because it erroneously determined earnings had not exceeded SGA. In all, SSA incorrectly paid these 78 beneficiaries almost $1.3 million. Of the overpaid amount, SSA incorrectly paid

- almost $446,000 because of its own processing delays and errors and
- over $823,000 because of beneficiaries' reporting failures.

We estimate SSA overpaid over $571 million to over 35,000 beneficiaries who completed a TWP in 2012. Of the overpaid amount, SSA incorrectly paid almost $201 million because it failed to process work CDRs correctly or within its processing time goal and almost $371 million because beneficiaries failed to report their earnings, as required.

At the time of our review, SSA was taking steps to address the systemic problems in its work CDR process. Specifically, SSA had begun developing new systems based on recent legislation and implemented a new program to reduce work-related overpayments.

Recommendations

We made five recommendations, including that SSA take steps to address issues of accuracy and timeliness in its work CDR process.

SSA agreed with our recommendations.

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ABBREVIATIONS

CDR	Continuing Disability Review
EPE	Extended Period of Eligibility
FY	Fiscal Year
IRS	Internal Revenue Service
OIG	Office of the Inspector General
SGA	Substantial Gainful Activity
SSA	Social Security Administration
TWP	Trial Work Period

OBJECTIVE

Our objective was to determine the amount and cause of incorrect payments issued to disabled beneficiaries who work after the Trial Work Period (TWP).

BACKGROUND

When a disabled beneficiary has earnings from work activity, the Social Security Administration (SSA) conducts a work continuing disability review (CDR) to determine whether the beneficiary can engage in substantial gainful activity (SGA).[1] The Agency typically learns of the earnings from a direct report by the beneficiary or its CDR Enforcement Operation, which generates alerts of earnings identified from data provided by the Internal Revenue Service (IRS).

When SSA conducts a work CDR, it must consider the effect of work incentives, such as the TWP. The TWP allows disabled beneficiaries to test their ability to work without the threat of losing benefits. The TWP is complete when a beneficiary works 9 months above an established limit within a rolling 60-month period (see Appendix C for TWP earnings thresholds).[2]

After the TWP ends, the Extended Period of Eligibility (EPE) begins. During the first 36 months of the EPE—the re-entitlement period—SSA evaluates monthly earnings based on the SGA threshold (see Appendix D for SGA thresholds).[3] After a one-time grace period, the beneficiary is not entitled to benefits for any month in which earnings exceed the SGA threshold.[4] If the beneficiary's earnings exceed the SGA threshold after the re-entitlement period, SSA terminates benefits.[5]

Overpayments in the disability program are primarily caused by disabled beneficiaries who have earnings from work activity. For Fiscal Years (FY) 2012 through 2016, SSA overpaid an average of $767 million, annually, to disabled beneficiaries because of work. In its FY 2017 *Agency Financial Report*, SSA stated these overpayments occur when beneficiaries fail to report earnings in a timely manner or the Agency does not take proper actions to process work reports.

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[1] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.001 (April 22, 2009).

[2] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.035 (June 29, 2017).

[3] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.210, sec. G (January 13, 2010).

[4] The grace period consists of the first EPE month in which earnings exceed SGA and the 2 succeeding months. SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.210, sec. H (January 13, 2010).

[5] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.210, sec. I (January 13, 2010).

Using data extracted from the eWork system, we identified 4,504 beneficiaries from 1 segment of our data who completed a TWP in Calendar Year 2012 and whose re-entitlement period ended in 2015.[6] From this population, we selected a random sample on which to conduct detailed analysis. See Appendix A for our detailed scope and methodology. We reviewed evidence from all relevant sources to determine whether

- the beneficiary provided SSA timely reports of work activity or
- SSA processed work CDRs accurately and timely.

RESULTS OF REVIEW

Of the 200 sampled beneficiaries, SSA determined 97 had earnings that exceeded SGA after the TWP. Of the 97, SSA incorrectly paid 77. The Agency also incorrectly paid one beneficiary because it erroneously determined earnings had not exceeded SGA. In all, SSA incorrectly paid these 78 beneficiaries almost $1.3 million. Of the overpaid amount, SSA incorrectly paid

- almost $446,000 because of its own processing delays and errors and
- over $823,000 because of beneficiaries' reporting failures.

This includes amounts SSA failed to identify because of errors made during work CDR processing. In our sample, 18 of the 78 incorrectly paid beneficiaries had overpayments that SSA did not identify.

We estimate SSA overpaid more than $571 million to over 35,000 beneficiaries who completed a TWP in 2012. Of the $571 million, SSA incorrectly paid almost $201 million because it failed to process work CDRs correctly or within its processing time goal and almost $371 million because beneficiaries failed to report their earnings, as required (see Table B–2 and Table B–3).

For the beneficiaries in our sample, SSA had not collected more than $712,000 of the overpayments it had identified as of November 2017, and it could not collect an additional $197,000 either because it waived or failed to identify the incorrect payment. Further, only 26 of the 49 beneficiaries who still had an outstanding balance had an agreement to repay the overpayment.[7] We estimate nearly $321 million of identified overpayments remained outstanding, and SSA could not recover an additional $89 million it waived or failed to identify (see Table B–5).

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[6] The eWork system is a Web-based application that automates the initiation, development, adjudication, and effectuation of work CDRs. The data extract included 91,481 individuals who met our criteria. Because of the size of the extract, we limited our population to beneficiaries from one segment of the Master Beneficiary Record based on their Social Security number.

[7] This includes beneficiaries in current pay with ongoing benefit adjustment and those not in current pay with a collection agreement even if the beneficiary was not making payments.

SSA Processing Delays and Errors

SSA overpaid almost $446,000 to beneficiaries in our sample because the Agency did not meet its processing time goals or made errors while processing work CDRs. Specifically, SSA overpaid

- almost $90,000 because it did not timely process direct earnings reports from beneficiaries,
- almost $270,000 because it did not timely process CDR enforcement alerts, and
- more than $86,000 that it did not identify because of errors during the work CDR process.

As detailed below, we estimate SSA incorrectly paid almost $201 million to beneficiaries who completed their TWP in 2012 that it could have prevented had it processed work CDRs correctly and within the processing time goal (see Table B–3).

Delayed Processing of Direct Earnings Reports

Although SSA requires that disabled beneficiaries report changes in their earnings, including when they return to work, the Agency did not always process these reports in a timely manner. When beneficiaries timely report earnings, SSA can begin a work CDR immediately, rather than waiting to receive earnings information from the IRS. This allows the Agency to minimize or prevent overpayments. During our audit period, SSA's goal was to process work CDRs that resulted from direct earnings reports from beneficiaries in an average of 45 days.[8] Subsequent to our review period, SSA removed this goal and did not replace it with another measure.

Of the 78 incorrectly paid beneficiaries in our sample, 26 reported their earnings directly to SSA before the Agency received an enforcement alert. For these cases, SSA's processing time averaged 155 days from the date the beneficiary reported the earnings. SSA failed to meet its 45-day processing goal for 19 of the 26 beneficiaries, and processing took longer than 90 days for 11 cases.[9] Failing to meet this goal led to improper payments that SSA could have prevented. Further, SSA risks not recovering these improper payments because it cannot hold beneficiaries responsible for its own delayed actions. Thus, beneficiaries may qualify for a waiver if SSA finds they were not at fault for the overpayment.

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[8] SSA's Deputy Commissioner for Operations issues annual Operating Plans that include specific national goals for processing certain critical workloads, one of which is work CDRs for disabled beneficiaries. Some components had goals that did not include assessing overall processing time.

[9] For two beneficiaries, SSA's delayed processing did not cause additional overpayments because work had ceased.

Table 1: Direct Report CDR Processing Time

Days to Process	Number of Cases
1-45	7
46-90	8
91-135	1
136-180	2
More Than 180	8
Total	**26**

For example, in November 2014, a beneficiary in our sample reported to SSA that she returned to work on October 30, 2014 after she completed a successful TWP. Her hourly wage rate and estimated hours per week indicated her earnings potentially exceeded SGA. SSA did not obtain verified earnings information until June 2015 and did not process its determination until September 2015, nearly 300 days after she reported the return to work.

Based on the beneficiary's continued work, SSA assessed a $7,823 overpayment. Had SSA processed the beneficiary's direct report within the 45-day goal, it could have prevented the entire overpayment. However, because of the untimely processing, SSA later waived the overpayment because it determined the beneficiary had reported the earnings in a timely manner and therefore was not at fault in causing the overpayment.

SSA overpaid nearly $90,000 to beneficiaries in our sample who reported their earnings directly to the Agency because it did not process work CDRs in a timely manner. Accordingly, we estimate SSA incorrectly paid over $40 million because of its delayed processing of work CDRs related to direct reports (see Table B–4).

Voluntary Benefit Suspension

SSA policy allows a beneficiary to request a voluntary benefit suspension, which can help avoid or reduce overpayments caused by excess earnings, while the Agency completes a work CDR. However, policy does not explicitly require that staff explain the availability of this option to the beneficiary. Further, SSA's notices and publications do not explain voluntary benefit suspension. Rather, the beneficiary must know the option exists and request it. Accordingly, it is highly probable that most beneficiaries were unaware of this provision.

For example, one beneficiary reported in August 2012 that she had returned to work in July 2012. She was earning $17.53 per hour and working 40 hours per week. This information indicated her monthly earnings were likely well above the $1,010 SGA threshold for 2012. SSA began a work CDR but did not process a determination until July 2013, more than 300 days after the beneficiary reported her earnings. By the time SSA completed its action, it had incorrectly paid the beneficiary nearly $3,000. Had the Agency informed the beneficiary of her option to suspend benefits and she agreed, SSA could have been prevented the entire overpayment.

Once beneficiaries report their earnings, SSA's processing is beyond their control. They are likely unaware of the effect on their benefits. Thus, they may assume SSA will stop their benefits when appropriate. If SSA must later recover overpaid benefits, it may impose a hardship that beneficiaries could have avoided by electing to suspend benefits when they reported their earnings. Conversely, SSA may waive the overpayment, negating its ability to recover the funds, because it cannot hold beneficiaries responsible for overpayments caused by its own delays.

SSA should ensure beneficiaries are aware of this option so they can decide whether it is in their best interest. If they elect voluntary benefit suspension, it would be self-imposed and would not be a hardship placed on them by the Agency. Further, by presenting the information and the option to suspend up front, SSA could inform beneficiaries of the possibility of an overpayment thereby reducing both the potential for confusion and the likelihood that beneficiaries receive a waiver.

SSA could add standard language to its correspondence that explains voluntary benefit suspension, which would allow beneficiaries to make an informed decision when they report earnings that could cause an overpayment. Additionally, Agency staff could provide this information to beneficiaries when they receive work reports. We recommend SSA consider taking steps to ensure beneficiaries are aware of their option to voluntarily suspend benefits when reported earnings are likely to result in an overpayment.

Incorrect or Delayed Processing of CDR Enforcement Alerts

Although SSA used an automated system to identify disabled beneficiaries who had earnings that may have affected their benefits, it did not always process the alerts this system generated correctly or in a timely manner. SSA's CDR enforcement operation generates alerts for disabled beneficiaries based on earnings data it receives from the IRS. These CDR enforcement alerts indicate that SSA may need to conduct a work CDR because earnings exceeded an established threshold.[10]

This process enables SSA to detect earnings for individuals who did not report or whose reported earnings differed from their actual earnings. During our audit period, SSA's goal was to process work CDRs resulting from enforcement alerts in an average of 250 days.[11] SSA typically receives enforcement alerts in June the year after the earnings occurred, at the earliest. Therefore, even if the Agency meets its goal, beneficiaries can work for 2 years or longer before SSA adjusts their benefits. Additionally, subsequent to our review period, SSA increased its national processing time goal for enforcement alerts to an average of 300 days.

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[10] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.027 (January 28, 2013).

[11] See Footnote 8.

For 52 of the 78 incorrectly paid beneficiaries in our sample, SSA first learned of the earnings from an enforcement alert. For these cases, SSA's processing time averaged 334 days from the date of the alert. SSA failed to meet its goal for 40 of the 52 cases, and processing took longer than 300 days for 33 cases.[12] Failing to meet this goal led to improper payments that SSA could have prevented.

Table 2: Enforcement Alert CDR Processing Time

Days to Process	Number of Cases
1-250	12
251-300	7
301-350	9
351-400	9
More Than 400	15
Total	**52**

For example, SSA received an enforcement alert in June 2013 indicating a beneficiary earned more than $50,000 in 2012. The Agency opened a work CDR but closed it within 1 week and took no action to investigate the earnings or suspend benefits, though the alert showed the beneficiary earned more than four times the SGA limit in 2012. In June 2014, the Agency received another alert indicating the beneficiary earned more than $45,000 for 2013. The Agency opened a work CDR and contacted the beneficiary and employer to request earnings information. In September 2014, SSA received a work report indicating continuous work since November 2011 that likely exceeded SGA. In April 2015, the employer submitted wage information confirming the beneficiary's earnings exceeded SGA nearly continuously from October 2011 through April 2015.

Based on this information, the Agency determined the TWP ended in May 2012, and it should have suspended the beneficiary for all but 3 months between September 2012 and May 2015 and then terminated the benefits. Though SSA made the determination in May 2015, it did not process the action until September 2015, further increasing the overpayment amount. In all, 451 days elapsed from when SSA received the second alert until it processed the determination. Of further concern is the fact SSA received the first enforcement alert 1 year earlier but took no action to investigate the earnings information.

By failing to process a full work CDR based on the first enforcement alert, SSA paid nearly $20,000 incorrectly after it discovered the beneficiary was working at a level that far exceeded the SGA limit. Had it processed a work CDR timely based on the initial enforcement alert, SSA could have reduced the overpayment by almost $14,000.

[12] For 10 beneficiaries, SSA's delayed processing did not cause additional overpayments because work had ceased.

SSA overpaid almost $270,000 to beneficiaries in our sample for whom it received enforcement alerts because it did not process work CDRs correctly or in a timely manner. Accordingly, we estimate SSA incorrectly paid over $121 million because of its incorrect or delayed processing of work CDRs related to enforcement alerts (see Table B–4).

SSA's Process for Monitoring Pending CDRs

SSA's process for monitoring pending work CDRs did not provide automated alerts to management or technicians. Rather, the eWork application required that managers track pending CDRs manually by generating reports daily, weekly, and monthly to ensure they monitored the CDR workload and sent cases to technicians for action and follow up. SSA stated it had no national guidance for this process.

SSA processed 11 of the 26 direct earnings reports more than 90 days after the target date and 24 of the 52 enforcement alerts more than 100 days after the target date. Thus, the manual process management used to monitor the CDR workload may not be the best method for ensuring the Agency meets its CDR processing time goals. Rather, an automated alert may be a more efficient way to prevent cases from exceeding the target completion date and minimize incorrect payments. Accordingly, we recommend SSA determine the feasibility of developing automated alerts to management and technicians in eWork to ensure timely CDR case assignments and follow-up on aged cases.

Unidentified Overpayments Due to Processing Errors

In addition to the overpayments SSA detected, we found instances in which SSA did not identify incorrect payments because of errors it made while processing work CDRs. Errors included cases where SSA

- misidentified TWP service months,
- did not make SGA determinations correctly, or
- removed periods of benefit suspension erroneously.

For example, SSA did not accurately identify one beneficiary's first month of earnings that exceeded SGA. According to a notice SSA sent the beneficiary, his earnings first exceeded SGA in November 2013. Based on this determination, SSA assessed $5,723 in overpayments. However, according to SSA's earnings data, the beneficiary's earnings exceeded SGA beginning in January 2013. Because the Agency did not correctly adjust benefits based on the additional months of earnings, it failed to identify an additional $18,000 in incorrect payments.

We found 18 of the 78 incorrectly paid beneficiaries had improper payments SSA did not identify because of processing mistakes. These individuals were overpaid more than $86,000 that SSA was not attempting to collect because it had not identified the overpayments. We estimate SSA incorrectly paid almost $39 million that it had not identified because of processing errors (see Table B–4). We recommend SSA review the 18 cases for which we identified processing mistakes and take necessary corrective actions. Additionally, we recommend SSA provide refresher training to ensure staff completes work CDRs accurately, thus ensuring it identifies all incorrect payments and minimizes overpayments to the extent possible.

Beneficiaries' Failure to Report Earnings

Of the 78 incorrectly paid beneficiaries in our sample, SSA overpaid 65 because they did not timely report their earnings to SSA. SSA requires that all disability beneficiaries notify the Agency when they return to work, including self-employment, regardless of their earnings amount. The Agency provides each beneficiary information that explicitly states failure to report a change can result in an overpayment that the beneficiary must repay. When beneficiaries do not report, SSA can make incorrect payments even when it processes work CDRs in a timely manner.

For example, one beneficiary returned to full-time work in 2012 but did not report the earnings to SSA. The beneficiary earned more than $48,000 in 2012—approximately four times the SGA amount—and continued working through 2016, with annual earnings ranging from $62,000 to $72,000. SSA received an enforcement alert in June 2013 indicating the beneficiary had unreported earnings. The Agency completed a work CDR in January 2014 and determined the beneficiary completed his TWP in November 2012. Based on his continued work, SSA suspended benefits and assessed an overpayment of more than $20,000. The beneficiary was responsible for the entire overpayment because he did not report his earnings to SSA. Once SSA received the earnings information, it completed the work CDR within its processing time goal.

SSA overpaid more than $823,000 because beneficiaries in our sample did not provide the required earnings information in a timely manner. Therefore, with its current process, SSA was unable to prevent these incorrect payments. We estimate SSA overpaid almost $371 million to beneficiaries who completed their TWP in 2012 and failed to report their earnings as required (see Table B–3).

SSA Initiatives to Improve the Work CDR Process

At the time of our review, SSA was taking steps to address the systemic problems in its work CDR process. Specifically, SSA had begun developing new systems based on recent legislation and implemented a new program intended to reduce work-related overpayments by accessing additional sources of earnings information.

Enhancements Based on the *Bipartisan Budget Act of 2015*

The *Bipartisan Budget Act of 2015* granted SSA new authority to implement systems intended to reduce occurrences of improper payments caused by earnings.[13] Specifically, section 824 allows SSA to enter into data-exchange agreements with payroll providers to give it access to payroll data for disabled beneficiaries. SSA intends to use this information to minimize or prevent improper payments by adjusting beneficiary records in a timely manner.[14] Section 824 took effect November 2, 2016, 1 year after the law passed. SSA stated it was working to implement the data exchange in the near future but did not provide a timeline for implementation.

It remains unclear how comprehensive SSA's data-exchange agreements will be. For example, small employers are less likely to use large payroll providers or enter into their own agreements with SSA. SSA may have to continue relying on individuals employed by these companies to self-report earnings. Further, SSA may face issues obtaining complete earnings data for individuals with irregular work histories, including those who work multiple jobs simultaneously, change jobs frequently, or work seasonal jobs. The 78 beneficiaries in our sample whom SSA paid incorrectly had a combined 356 employer records in SSA's Master Earnings File, an average of more than 4.5 employers for each beneficiary in less than 10 years. Nearly one-quarter of the beneficiaries had seven or more employers.

Finally, SSA will continue relying on self-employed individuals—who do not have payroll providers—to self-report. Self-employment is of particular concern because, according to the Bureau of Labor Statistics, disabled workers are about 71 percent more likely to be self-employed than non-disabled workers, and self-employed workers represent almost 11 percent of the disabled working population.[15] We found 24 of the 200 individuals we reviewed had self-employment earnings after the TWP, and SSA paid 14 incorrectly because they failed to report earnings information.

Additionally, section 826 of the *Bipartisan Budget Act of 2015* requires that SSA implement an electronic reporting system that will allow disabled beneficiaries to report their earnings via telephone and the Internet.[16] In October 2017, the Agency announced the release of its online wage reporting application.

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[13] *Bipartisan Budget Act of 2015,* Pub. L. No. 114-74 (2015).

[14] SSA, *Congress Passes H.R. 1314, the Bipartisan Budget Act of 2015, Legislative Bulletin 114-8* (November 3, 2015).

[15] Bureau of Labor Statistics, *Persons with a Disability: Labor Force Characteristics, USDL-17-0857,* table 4 (June 21, 2017).

[16] See Footnote 13.

The Quarterly Earnings Project

In March 2014, SSA implemented a pilot program to identify earnings for disabled beneficiaries more quickly than through its standard CDR enforcement operation process. Under this program, Agency staff uses wages reported to the National Directory of New Hires, which updates quarterly, to evaluate beneficiaries' earnings. The Agency's standard process uses earnings from the Master Earnings File, which only updates annually. According to a Government Accountability Office report, SSA reported the quarterly earnings program helped identify earnings about 10 months earlier than it otherwise would have.[17]

Originally, SSA initiated the pilot at just three of its eight program service centers. In April 2017, SSA expanded the program to all program service centers. Agency information indicated SSA opened approximately 15,000 work CDRs in FY 2017 as part of the Quarterly Earnings Project and it intended to expand the program further in FY 2018. SSA estimated 80 percent of the cases identified using this program would result in benefit cessation because of earnings.[18] Therefore, the Agency identified this as a priority workload.

Impact of Initiatives

Based on our analysis, we estimate SSA overpays tens of thousands of disabled beneficiaries who work each year. SSA must consider improving its processes so it can more quickly detect unreported earnings. The implementation and expansion of the previously described programs indicates SSA is working to address this issue. However, we recommend SSA monitor its ongoing initiatives to minimize reliance on beneficiaries self-reporting earnings.

CONCLUSIONS

We estimate SSA made over $571 million in improper payments to over 35,000 beneficiaries who completed their TWP in 2012. Of the incorrect payments, we estimate SSA's delays and processing mistakes caused nearly $201 million (35 percent), while beneficiary reporting failures caused almost $371 million (65 percent). We further estimate SSA had yet to collect $321 million of identified overpayments and could not collect an additional $89 million that it either waived or failed to identify.

The current process does not minimize overpayments for many disabled beneficiaries who work. Though SSA cannot fully prevent overpayments when individuals do not report earnings, it can reduce the magnitude of these issues by promptly processing work CDRs to ensure incorrect payments do not continue for extended periods. If SSA fails to meet its processing time goals, it will issue incorrect payments it could have prevented. SSA must expedite the suspension or termination of benefits for working disabled beneficiaries whose earnings exceed SGA.

[17] GAO, *SSA Needs to Better Track Efforts and Evaluate Options to Recover Debt and Deter Potential Fraud, GAO 16-331*, p. 17 (April 2016).

[18] SSA, *Work Smart: Work CDRs Based on Quarterly Earnings, Operations Bulletin No. 17-040* (April 14, 2017).

The Agency is developing new systems to access earnings information for beneficiaries more quickly and has conducted limited testing of one such program. As it monitors its ongoing initiatives, the Agency should ensure these changes will be comprehensive and significantly improve the earnings identification process.

RECOMMENDATIONS

We recommend SSA:

1. Consider taking steps to ensure beneficiaries are aware of their option to voluntarily suspend benefits when reported earnings are likely to result in an overpayment.
2. Determine the feasibility of developing automated alerts to management and technicians in eWork to ensure timely CDR case assignments and follow-up on aged cases.
3. Review the 18 cases for which we identified processing mistakes and take necessary corrective actions.
4. Provide refresher training to ensure staff completes work CDRs accurately, thus ensuring it identifies all incorrect payments and minimizes overpayments to the extent possible.
5. Monitor its ongoing initiatives to minimize reliance on beneficiaries self-reporting earnings.

AGENCY COMMENTS

SSA agreed with our recommendations. For the full text of the Agency's comments, see Appendix E.

Rona Lawson

Rona Lawson
Assistant Inspector General for Audit

APPENDICES

Appendix A – Scope and Methodology

To accomplish our objectives we:

- Reviewed applicable Federal laws and regulations and sections of the Social Security Administration's (SSA) policies and procedures related to work incentives and reporting requirements for disabled Old-Age, Survivors and Disability Insurance beneficiaries. This includes provisions of the Trial Work Period (TWP) and Extended Period of Eligibility.
- Obtained data from SSA's eWork system to identify beneficiaries who completed a TWP in Calendar Year 2012 and whose re-entitlement period ended in 2015.[1] Because of the size of our data extract, we limited the population to beneficiaries within one segment of the Master Beneficiary Record based on their Social Security number.[2]
- Selected a random sample of 200 beneficiaries for detailed analysis.
    - Evaluated information posted to the Detailed Earnings Query for each individual for years from the beginning of the TWP through 2016.
    - Reviewed each beneficiary's Master Beneficiary Record to determine whether SSA withheld benefits because of work and whether it posted overpayments and undertook recovery actions for individuals who worked after the TWP.
    - Reviewed evidence to establish a timeline of events pertinent to each determination including earnings reports, enforcement alerts, earnings development, Agency determinations, and actions to update records. Sources used include the Disability Control File, eView, Claims File Record Management System, Online Retrieval System, Paperless Processing Center, National Directory of New Hires, and Debt Management System.
    - Determined whether overpayments occurred because beneficiaries did not timely report earnings, as required, or because SSA did not act in a timely manner to prevent or minimize overpayments.
        - We assessed Agency timeliness using the Agency's own Public Service Indicators for continuing disability review processing time during our audit period.
            - Based on direct report of work – 45 days. We calculated processing time from the date SSA became aware of earnings until it processed the final determination.
            - Based on earnings enforcement alert – 250 days. We calculated processing time from the date of the enforcement alert until SSA processed the final determination.

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[1] We excluded beneficiaries who participated in SSA's Benefit Offset National Demonstration project, which tests the effect of modifications to the current rules for beneficiaries who work and receive disability benefits.

[2] SSA uses the Master Beneficiary Record to maintain data for all beneficiaries entitled on each Social Security account. The Agency segments Master Beneficiary Record data based on the last two digits of the Social Security number. One segment represents 5 percent of the total population of OASDI beneficiaries.

- Calculated the amount of overpayments made because of beneficiary error and Agency processing delays or errors. Projected these amounts to the entire population.

The entity reviewed was the Office of Disability Operations. We conducted our review in the Office of Audit in Kansas City, Missouri, between June and November 2017. We determined the data used in this report were sufficiently reliable given the review objectives and its intended use. 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 provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Appendix B – SAMPLE FINDINGS AND PROJECTIONS

We established our population and selected a sample as identified in Appendix A. We made statistical projections for the entire population based on the results of our sample analysis.

Table B–1: Sample Size

Description	Number of Beneficiaries
Sampling Frame	4,504
Sample Size	200
Estimated Total Population (20 segments)	90,080

We identified 78 beneficiaries whom the Social Security Administration (SSA) incorrectly paid because of their work after a Trial Work Period (TWP). We project SSA overpaid 35,140 beneficiaries whose TWP ended in 2012.

Table B–2: Beneficiaries Overpaid

Description	Number of Beneficiaries
Sample Results	78
Projected Quantity	1,757
Projection – Lower Limit	1,503
Projection – Upper Limit	2,021
Population Estimate (20 segments)	35,140

Note: All projections are at the 90-percent confidence level.

For the 78 beneficiaries who were overpaid, the total incorrect payment amount was $1,268,697. Of this amount, beneficiary failure to report earnings caused $823,102 and SSA processing delays and errors caused $445,595. We project SSA overpaid $571,421,040—$370,725,180 due to beneficiary reporting failures and $200,695,860 due to Agency processing delays and errors—through November 2017 to beneficiaries who completed a TWP in 2012.

Table B–3: Amount Overpaid

Description	Beneficiary Error	SSA Error	Total
Sample Results	$823,102	$445,595	$1,268,697
Point Estimate	$18,536,259	$10,034,793	$28,571,052
Projection – Lower Limit	$14,246,805	$6,833,700	
Projection – Upper Limit	$22,825,713	$13,235,886	
Population Estimate (20 Segments)	$370,725,180	$200,695,860	$571,421,040

Note: All projections are at the 90-percent confidence level.

Of the $445,595 SSA paid incorrectly because of its own processing delays and errors (see Table B–3), it paid $89,812 incorrectly because of delayed direct report processing, $269,542 because of delayed Enforcement Alert processing, and $86,241 because of processing errors. We project SSA incorrectly paid $40,451,240 because it processed direct earnings reports late, $121,401,800 because it processed enforcement alerts late, and $38,842,820 because it made errors during processing.

Table B–4: Amount of SSA Overpayments by Type of Error

Description	Delayed Processing		Processing Error
	Direct Report	Enforcement Alert	
Sample Results	$89,812	$269,542	$86,241
Point Estimate	$2,022,562	$6,070,090	$1,942,141
Projection – Lower Limit	$667,489	$3,411,423	$940,737
Projection – Upper Limit	$3,377,634	$8,728,758	$2,943,544
Population Estimate (20 Segments)	$40,451,240	$121,401,800	$38,842,820

Note: All projections are at the 90-percent confidence level.

Of the amount SSA paid incorrectly, it had identified, but not collected $712,087 as of November 2017, and the Agency could not collect an additional $197,253 because it waived or failed to identify the incorrect payments. We project $320,724,040 remained outstanding, and SSA could not collect an additional $88,842,760.

Table B–5: Amount of Outstanding and Uncollectible Overpayments

Description	Outstanding Overpayments	Uncollectible Overpayments
Sample Results	$712,087	$197,253
Point Estimate	$16,036,202	$4,442,138
Projection – Lower Limit	$11,196,390	$2,406,014
Projection – Upper Limit	$20,876,014	$6,478,261
Population Estimate (20 Segments)	$320,724,040	$88,842,760

Note: All projections are at the 90-percent confidence level.

Appendix C – TRIAL WORK PERIOD EARNINGS THRESHOLDS

The Trial Work Period (TWP) provision allows disabled beneficiaries to test their ability to work without the threat of losing benefits. During this period, the beneficiary may perform services for remuneration or gain and still be considered disabled.[1] The TWP consists of 9 service months completed within a rolling 60-month period.[2]

The Social Security Administration (SSA) defines services as, ". . . any activity in employment, or self-employment that is performed or is normally performed for pay or profit." SSA cannot cease disability during the TWP based on a beneficiary's work activity.[3]

The Agency determines whether months of work count as TWP service months based on an established earnings threshold set each year. For self-employed individuals, SSA evaluates the number of hours worked in self-employment in addition to the amount of earnings.

Table C–1: Monthly TWP Earnings Thresholds, 2007 Through 2017[4]

Year	Wages	Self-employment
2007	$640	$640 or 80 hours
2008	$670	$670 or 80 hours
2009	$700	$700 or 80 hours
2010	$720	$720 or 80 hours
2011	$720	$720 or 80 hours
2012	$720	$720 or 80 hours
2013	$750	$750 or 80 hours
2014	$770	$770 or 80 hours
2015	$780	$780 or 80 hours
2016	$810	$810 or 80 hours
2017	$840	$840 or 80 hours

[1] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.035, sec. A (June 29, 2017).

[2] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.035, sec. D.2.a (June 29, 2017).

[3] See Footnote 1.

[4] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.060 (October 21, 2016).

Appendix D– SUBSTANTIAL GAINFUL ACTIVITY EARNINGS THRESHOLDS

The Extended Period of Eligibility (EPE) begins the month after the final Trial Work Period month. During the first 36 months of the EPE—the re-entitlement period—SSA evaluates earnings based on the substantial gainful activity (SGA) threshold.[1] SSA considers the beneficiary's disability to have ceased the first month earnings exceed SGA. However, the Agency pays benefits for that month and the following 2 months, regardless of the amount of earnings.[2] Following this grace period, SSA suspends benefits for all months when earnings exceed SGA. If earnings fall below SGA, benefits resume. After the re-entitlement period, SSA terminates benefits the first month earnings exceed SGA.[3]

When evaluating earnings against the SGA threshold, SSA considers the amount of countable earnings, which may be less than gross earnings. To determine countable earnings, SSA deducts the value of certain expenses, sick and vacation pay, bonus and incentive payments, and any amount of earnings subsidized by the employer.[4]

Table D–1: Monthly SGA Earnings Thresholds, 2007 Through 2017

Year	Non-Blind Beneficiaries[5]	Blind Beneficiaries[6]
2007	$900	$1,500
2008	$940	$1,570
2009	$980	$1,640
2010	$1,000	$1,640
2011	$1,000	$1,640
2012	$1,010	$1,690
2013	$1,040	$1,740
2014	$1,070	$1,800
2015	$1,090	$1,820
2016	$1,130	$1,820
2017	$1,170	$1,950

[1] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.210, sec. G (January 13, 2010).

[2] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.210, sec. H (January 13, 2010).

[3] SSA, *POMS, DI-Disability Insurance*, ch. DI 130, subch. DI 13010.210, sec. I (January 13, 2010).

[4] SSA, *POMS, DI-Disability Insurance*, ch. DI 105, subch. DI 10505.010 (February 17, 2017).

[5] SSA, *POMS, DI-Disability Insurance*, ch. DI 105, subch. DI 10501.015, sec. B (October 19, 2016).

[6] SSA, *POMS, DI-Disability Insurance*, ch. DI 105, subch. DI 10501.015, sec. C (October 19, 2016).

Appendix E – Agency Comments

SOCIAL SECURITY

MEMORANDUM

Date: May 3, 2018 Refer To: S1J-3

To: Gale S. Stone
Acting Inspector General

Stephanie Hall

From: Stephanie Hall
Acting Deputy Chief of Staff

Subject: Office of the Inspector General Draft Report, "Incorrect Payments to Disabled Beneficiaries Who Return to Work" (A-07-17-50131) -- 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 Trae Sommer at (410) 965-9102.

Attachment

SSA COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL DRAFT REPORT, "INCORRECT PAYMENTS TO DISABLED BENEFICIARIES WHO RETURN TO WORK" (A-07-17-50131)

We take the stewardship of our programs seriously, and we will continue to demonstrate a commitment to sound management practices. In this review, we appreciate OIG's acknowledgment of steps we are taking to address systemic issues in our work continuing disability review process (CDR). We are developing new systems as a result of recent legislation to allow beneficiaries to report their earnings in a timely manner. In September 2017, we released the myWageReport system for Social Security Disability Insurance beneficiaries, which allows them to report wages through the *my* Social Security portal. This fiscal year, we expect to release the myWageReport system for Supplemental Security Income recipients. We are also pursuing additional systems enhancements, including alerts, that will help us reduce improper payments and improve processing times for work CDRs. Below are our responses to the recommendations. We also shared a technical comment at the staff level.

Recommendation 1

Consider taking steps to ensure beneficiaries are aware of their option to voluntarily suspend benefits when reported earnings are likely to result in an overpayment.

Response

We agree.

Recommendation 2

Determine the feasibility of developing automated alerts to management and technicians in eWork to ensure timely CDR case assignments and follow-up on aged cases.

Response

We agree.

Recommendation 3

Review the 18 cases for which we identified processing mistakes and take necessary corrective actions.

Response

We agree.

Recommendation 4

Provide refresher training to ensure staff completes work CDRs accurately, thus ensuring it identifies all incorrect payments and minimizes overpayments to the extent possible.

Response

We agree.

Recommendation 5

Monitor its ongoing initiatives to minimize reliance on beneficiaries self-reporting earnings.

Response

We agree.

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