



October 2015

# DISABILITY INSURANCE

## SSA Could Do More to Prevent Overpayments or Incorrect Waivers to Beneficiaries

Accessible Version

# GAO Highlights

Highlights of [GAO-16-34](#), a report to the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

## Why GAO Did This Study

SSA's DI program provides cash benefits to workers with disabilities. Per program rules, SSA requires that beneficiaries promptly report their work activity—including starting a job or a change in wages—as failure to do so may result in an overpayment that must be repaid. In fiscal year 2014, SSA identified \$1.3 billion in DI benefit overpayments. Avoiding overpayments is imperative as they pose a burden for beneficiaries who must repay excess benefits and result in lost taxpayer dollars if they are not repaid or are waived by SSA. GAO was asked to review SSA's handling of DI overpayments and waivers due to beneficiaries' return to work.

This report examines 1) the extent of work-related DI overpayments and waivers, 2) how SSA's handling of work activity reported by beneficiaries prevents overpayments, and 3) how SSA ensures appropriate decisions are made to waive overpayments. GAO analyzed 10 years of SSA data on overpayments and waivers; reviewed relevant laws, regulations, guidance and studies; interviewed staff at SSA headquarters and several field offices and teleservice centers, selected to represent a range of relevant DI workloads; and reviewed 10 DI cases involving waived overpayments.

## What GAO Recommends

GAO is making seven recommendations, including that SSA study automated reporting options, and improve oversight of work reports and waivers. SSA agreed with six recommendations but disagreed with overseeing work reports. GAO clarified that oversight should ensure staff are following proper procedures.

View [GAO-16-34](#). For more information, contact Daniel Bertoni at (202) 512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov).

October 2015

## DISABILITY INSURANCE

### SSA Could Do More to Prevent Overpayments or Incorrect Waivers to Beneficiaries

## What GAO Found

From fiscal years 2005 through 2014, GAO found that Social Security Administration (SSA) overpaid \$11 billion in Disability Insurance (DI) program benefits to beneficiaries who had returned to work and had earnings above program limits, and about \$1.4 billion in overpayments related to work activity was waived—because the beneficiary was found not at fault—and therefore will not be repaid. SSA recently conducted two reviews to identify the extent of overpayments caused by errors in processing work reports; however, both reviews used sample sizes too small to produce reliable results—limitations which SSA did not note in its reports and that may impede SSA's understanding of root causes of overpayments.

SSA's process for handling work reports by beneficiaries has internal control and other weaknesses that increase the risk of overpayments, even when DI beneficiaries follow program rules and report work and earnings, including:

- **Processing weaknesses.** Due in part to unclear guidance, GAO found that SSA staff may bypass established procedures and not: (1) initiate tracking of work activity, which would help prevent overpayments; and (2) issue a receipt to the beneficiary—as required by law—that proves the beneficiary's work was reported. Data are not available to determine the full extent to which this might occur.
- **Limited oversight.** While SSA tracks timeliness of staff action on work reports, it lacks procedures for how staff should screen such reports, and for ensuring that work reports are systematically reviewed and closed with appropriate action.
- **No automated reporting options.** In contrast to SSA's Supplemental Security Income (SSI) program—a means-tested disability benefits program—the DI program lacks automated tools to report work, such as an automated telephone system and a smart phone app. Although SSA officials said there is an internal proposal to automate DI work reports, they could not provide specifics on how or when this would occur. Without automation, SSA's current manual approach is vulnerable to error.

SSA's processes for handling requests to waive overpayments lack sufficient controls to ensure appropriate decisions are made, especially those involving low dollar amounts. Two recent reviews—conducted by SSA and SSA's Office of Inspector General (OIG)—found documentation and other errors in DI and other waivers. In addition, a 2015 OIG study found significant variation in DI and other waiver approval rates among field offices, and noted that some field offices with high waiver approval rates also had a high incidence of waivers under \$1,000, which require less documentation. In response to the reviews, SSA has already taken some steps to improve waiver policy and training. Nevertheless, SSA's reviews do not target DI waiver decisions—especially those under \$2,000, which do not require supervisory review and comprise almost a third of all waiver decisions. Without additional oversight, such as targeted reviews of DI waivers, staff may systematically waive overpayments incorrectly, particularly those involving low dollar amounts.

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October 29, 2015

The Honorable Sam Johnson  
Chairman  
The Honorable Xavier Becerra  
Ranking Member  
Subcommittee on Social Security  
Committee on Ways and Means  
United States House of Representatives

The Disability Insurance (DI) program is one of the nation’s largest cash assistance programs for workers with disabilities. In fiscal year 2014, about 11 million individuals with disabilities and their dependents received approximately \$143 billion in DI benefits. During the same year, the Social Security Administration (SSA) reported detecting \$1.3 billion in new DI benefit overpayments,<sup>1</sup> which occur when SSA pays benefits in excess of what is due, or continues to pay those who are no longer eligible. Overpayments often result when beneficiary work and earnings activity—which can affect program eligibility—is not properly reported to or processed by SSA. Overpayments can pose a financial hardship for beneficiaries responsible for repaying the debt. Overpayments may also result in the loss of taxpayer dollars, either because beneficiaries do not repay their debts or because they are eligible to have their overpayment debts waived by SSA. Further, overpayments in the DI program can contribute to the weakened financial status of the DI trust fund, which the Social Security Board of Trustees projects will be exhausted in 2016.<sup>2</sup> In addition, researchers and others have noted that the potential for

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<sup>1</sup>SSA provided GAO summary data on new DI beneficiary debt detected each fiscal year for fiscal years 2005 through 2014. SSA cites the source of these data as the agency’s fourth quarter report for the Treasury Report on Receivables (TROR) for each fiscal year. SSA officials informed us that the TROR report does not include what SSA characterizes as non-legally defined overpayments, such as benefits issued for the month of death.

<sup>2</sup>The Board of Trustees, Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds, *The 2015 Annual Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Federal Disability Insurance Trust Funds*. (Washington, D.C.: July 22, 2015).

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overpayments due to earnings may also create a disincentive to beneficiaries who might otherwise wish to work.<sup>3</sup>

You asked us to review SSA's handling of DI overpayments due to beneficiaries' return to work, and its policies for waiving overpayments. This report addresses the following questions: (1) what is the extent of DI overpayments and waivers related to beneficiary work activity; (2) how does SSA's handling of work activity reported by beneficiaries prevent overpayments, and (3) how does SSA ensure appropriate decisions are made to waive overpayments? To examine these issues, we reviewed 10 years of SSA data (from fiscal year 2005 through 2014) on overpayment debt identified, collected, or written off—that includes waivers and overpayments for which collection activities have been terminated. We reviewed relevant federal laws, regulations, and guidance. In addition, we identified agency policies and procedures for processing work reports and making overpayment waiver decisions, and assessed these against federal internal control standards.<sup>4</sup> We also identified management strategies and tools used to oversee these processes, and assessed them against federal internal control standards. We examined prior relevant reviews by SSA, GAO and SSA's Office of Inspector General, interviewed managers and staff in SSA headquarters and at several offices in three regions,<sup>5</sup> selected to reflect a range of workloads, and

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<sup>3</sup>See *The Social Security Administration's Employment Support Programs for Disability Beneficiaries*, 111th Cong. 24-25 (2009)(statement of Cheryl Bates-Harris, Senior Disability Advocacy Specialist, National Disability Rights Network, on behalf of the Consortium for Citizens with Disabilities Employment and Training Task Force and Social Security Task Force) and Gina A. Livermore, Cornell Center for Policy Research, *Wage Reporting and Earnings-Related Overpayments in the Social Security Disability Programs: Status, Implications, and Suggestions for Improvement*, a report prepared at the request of Ticket to Work and Work Incentives Advisory Panel, Social Security Administration, May 5, 2003.

<sup>4</sup>Standards for Internal Control in the Federal Government, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

<sup>5</sup>We interviewed staff and managers at two field offices, one program service center, and one teleservice center in each of the following three regions: Baltimore, Chicago, and San Francisco. At field offices, we spoke with managers, supervisors, technical experts, service representatives, and claims representatives. At teleservice centers, we spoke with managers, supervisors, and teleservice representatives. At program service centers, we spoke with managers, supervisors, and benefits authorizers who handled 800 calls as "spikes" during periods when demand spiked. We also spoke with managers, analysts, and area work incentives coordinators at area offices that provide oversight over selected field offices.

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spoke with representatives of a national disability rights association and four of its member groups that assist disability beneficiaries. We also analyzed work report, overpayment and waiver records from a nongeneralizable sample of 10 randomly selected case files. We selected these files from a dataset of beneficiaries who had an overpayment established in fiscal year 2013 and who requested a waiver of that overpayment.<sup>6</sup> Finally, we assessed the reliability of the eWork and Recovery of Overpayments, Accounting and Reporting (ROAR) data—used to select our case files and to analyze trends in overpayments and waivers—by (1) performing electronic testing of required data elements, (2) reviewing existing information about the data and the system that produced them, and (3) interviewing agency officials knowledgeable about the data. We determined that the data were sufficiently reliable for the purposes of this report.

We conducted our work from August 2014 to October 2015 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 objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

The DI program was established in 1956 to provide monthly cash benefits to individuals unable to work because of severe long-term disability. To meet the definition of disability under the DI program, an individual must have a medically determinable physical or mental impairment that (1) has lasted or is expected to last at least 1 year or to result in death and (2) prevents the individual from engaging in substantial gainful activity (SGA).<sup>7</sup> In addition, to be eligible for benefits, workers with disabilities must have a specified number of recent work credits under Social Security when they acquired a disability.<sup>8</sup> Spouses and children of

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<sup>6</sup>In addition, we stratified the dataset into five levels of overpayment amounts—\$1,000 or less, \$1,001 to \$2,000, \$2,001 to \$20,000, \$20,001 to \$75,000, and over \$75,000—and selected two cases from each stratum. We used data on overpayments established in fiscal year 2013 to increase the likelihood that decisions on waiver requests would be completed by the time of our review.

<sup>7</sup>42 U.S.C. § 423(d). Substantial gainful activity is defined as work that involves doing significant and productive physical or mental duties for pay or profit. 20 C.F.R. § 404.1510.

<sup>8</sup>42 U.S.C. § 423(c).

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workers may also receive benefits.<sup>9</sup> Benefits are financed by payroll taxes paid into the DI Trust Fund by covered workers and their employers, and the benefit amount is based on a worker's earnings history.<sup>10</sup> In June 2015, the program's average monthly benefit for disabled workers was \$1,165. Individuals eligible for DI benefits may also qualify for Supplemental Security Income (SSI), which provides cash assistance for eligible aged, blind, and disabled individuals with limited financial means. In June 2015, 1.6 million people with disabilities under age 65 received both DI and SSI benefits, and are referred to as concurrent beneficiaries.<sup>11</sup>

Historically, very few DI beneficiaries have left the program to return to work with earnings above the SGA level. To encourage work, the DI program offers various work incentives intended to safeguard cash and health benefits while a beneficiary tries to return to work. For example, the trial work period allows DI beneficiaries to work for a limited time without their earnings affecting their disability benefits.<sup>12</sup> The trial work period begins when the beneficiary's earnings are more than \$780 per month. When the beneficiary has accumulated 9 such months within a period of 60 consecutive months, the trial work period is completed. After the trial work period ends, the 36-month extended period of eligibility begins, during which a beneficiary is entitled to benefits so long as he or she continues to meet the definition of disability and his or her earnings are below the SGA monthly earnings limit.<sup>13</sup>

SSA regulations require all DI beneficiaries to promptly notify SSA: when their condition improves, or they return to work or when they increase the amount they work or the amount of their earnings.<sup>14</sup> SSA policy directs DI beneficiaries to report to SSA if work starts or stops; if duties, hours, or

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<sup>9</sup>42 U.S.C. § 402.

<sup>10</sup>42 U.S.C. § 401(b).

<sup>11</sup>Social Security Administration, *Monthly Statistical Snapshot*, (Baltimore, Maryland: June 2015).

<sup>12</sup>20 C.F.R. § 404.1592.

<sup>13</sup>20 C.F.R. § 404.1592a. SSA's regulations refer to this as the re-entitlement period. The SGA monthly earnings limit in 2015 is \$1,090 (\$1,820 for blind beneficiaries).

<sup>14</sup>20 C.F.R. § 404.1588(a).

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pay change; or they stop paying for items or services needed for work due to a disability.<sup>15</sup> Beneficiaries may report work-related changes by fax, mail, phone, or in person at an SSA field office, or by calling SSA's 800 teleservice line. SSA staff are required by law and regulation to issue a receipt acknowledging that the beneficiary (or representative) has given SSA information about a change in work or earnings, and documenting the date that SSA received the work report.<sup>16</sup> After receiving information about work activity or a pay stub from a beneficiary, SSA staff have 5 days to input the information into SSA's eWork<sup>17</sup> system—which creates a pending work report or pay stub report—and provide a receipt to the beneficiary.<sup>18</sup> Staff then have an additional 30 days to review the pending work report to determine if additional action is needed, such as a work continuing disability review (CDR),<sup>19</sup> to assess the beneficiary's continued eligibility for DI benefits. In fiscal year 2014, SSA processed over 242,000 work reports or pay stubs, filed by over 100,000 beneficiaries.

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<sup>15</sup>POMS DI 13010.020B.

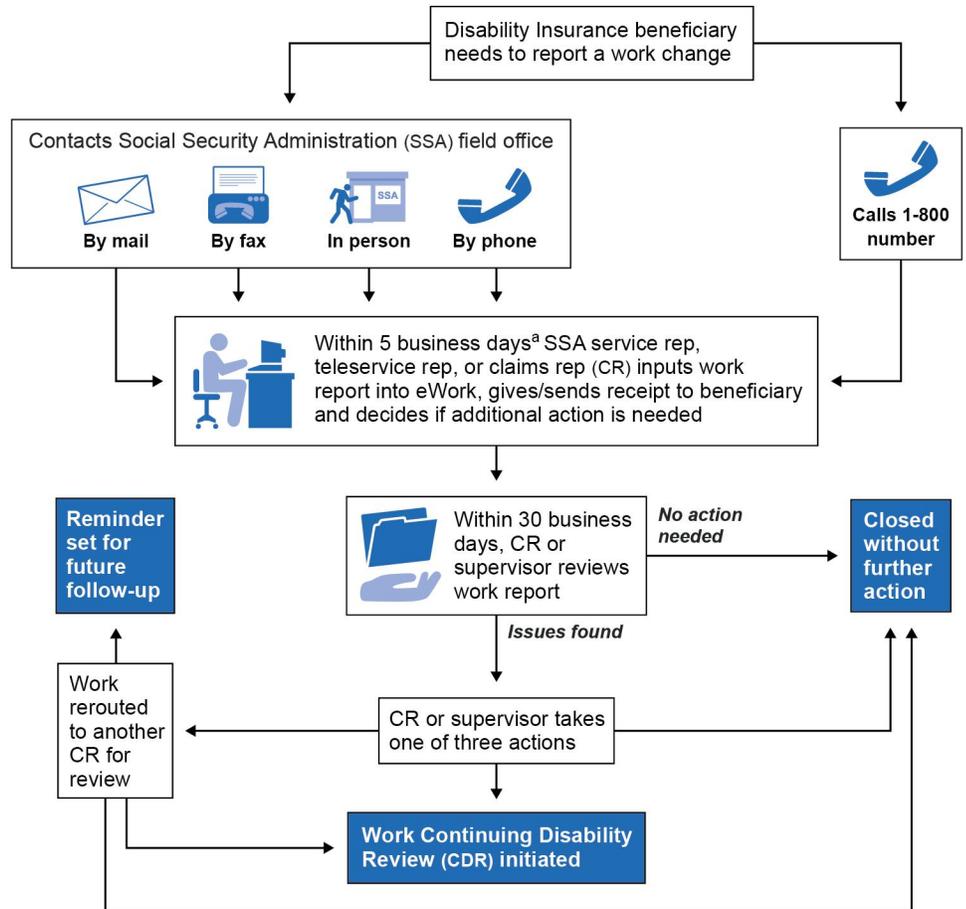
<sup>16</sup>42 U.S.C. § 902, note; 20 C.F.R. § 404.1588(b).

<sup>17</sup> In 2004, SSA implemented the eWork system, which is the primary system for capturing beneficiary work-related information and processing work CDR cases in headquarters and field locations.

<sup>18</sup>SSA policy directs staff to give or mail the receipt immediately if beneficiary work reports are made in person or by phone; for mailed or faxed reports, or reports delivered to the field office, staff are directed to input the information into the system and mail the receipt within 5 days of receipt of the information. POMS DI 13010.020C.

<sup>19</sup>Work CDRs are reviews of beneficiary earnings to determine continued eligibility for benefits. These reviews typically involve SSA staff querying centralized agency data systems to identify earnings, sending forms to a beneficiary requesting information about work activity and earnings that may affect eligibility for DI benefits, contacting employers to verify earnings amounts, and assessing other factors such as employer subsidies and impairment-related work expenses.

**Figure 1: Social Security Administration Procedures for Processing DI Beneficiary Work Reports**



Source: GAO analysis of SSA procedural guidance and interviews with SSA staff. | GAO-16-34

Note A: If a work report is prepared while the beneficiary waits in person or on the phone, SSA's Program Operations Manual System (POMS) requires that the beneficiary be given or mailed a receipt immediately.

Benefit overpayments can occur when beneficiaries do not report work or SSA does not take action on work reports in an appropriate or timely manner. When a DI work-related overpayment is identified, the beneficiary is notified of the overpayment and may request reconsideration or waiver of that overpayment. A beneficiary requests reconsideration when he or she disputes the occurrence of the

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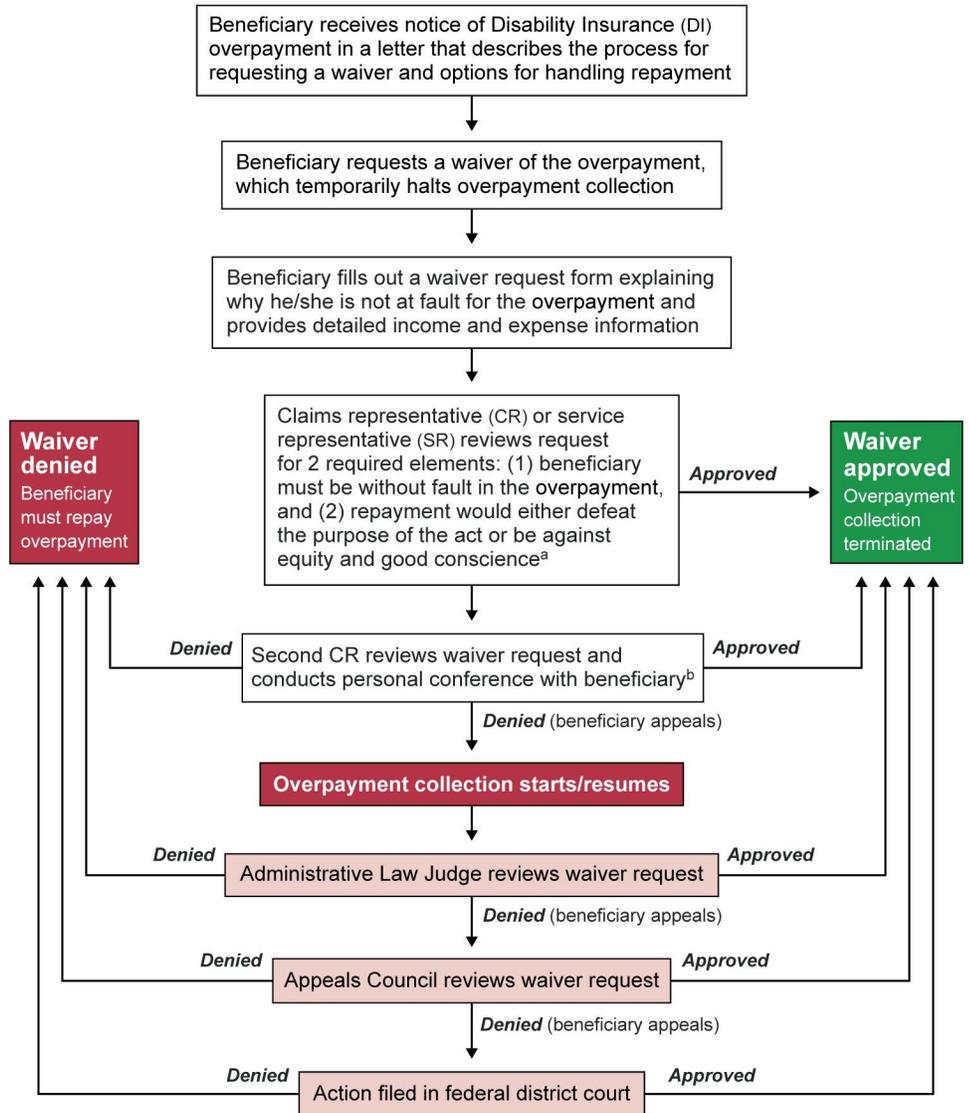
overpayment itself.<sup>20</sup> A beneficiary may also request a waiver of an overpayment that is not in dispute, and SSA may grant that waiver request if two conditions are met: (1) the agency finds the beneficiary was not at fault, and (2) recovery or adjustment would either defeat the purpose of the program or be against equity and good conscience, as determined by SSA.<sup>21</sup>

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<sup>20</sup>See 20 C.F.R. § 404.907.

<sup>21</sup>20 C.F.R. § 404.506. However, for overpayment amounts under \$1,000, administrative waivers may be granted on the sole basis that the beneficiary was not at fault.

**Figure 2: Social Security Administration Procedures for Processing DI Beneficiary Waiver Requests**



Source: GAO analysis of Social Security Administration procedural guidance. | GAO-16-34

Note A: SSA can administratively waive overpayments under \$1,000, without consideration of the second criterion, if there is no indication the beneficiary was at fault.

Note B: SSA stated that it cannot deny a waiver request until the beneficiary has the opportunity to have a personal conference by an impartial decision maker. If the beneficiary is offered but declines the personal conference or does not show up for his or her personal conference, the next level of appeal is a reconsideration.

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SSA's DI cumulative overpayment debt has almost doubled over the last decade, from \$3.2 billion at the end of fiscal year 2004 to \$6.3 billion at the end of fiscal year 2014, according to SSA data.<sup>22, 23</sup> Cumulative overpayment debt is comprised of existing debt carried forward from prior years, new debt, reestablished debts (such as debts reactivated for collection when former beneficiaries are entitled to receive benefits again) and adjustments, minus debts that are collected or written off by SSA.<sup>24</sup> Cumulative DI overpayment debt has continued to grow because in 9 of the last 10 years the debt added has exceeded the total debt collected and written off. Specifically, over the 10 years reviewed, SSA added about \$15.4 billion in debt,<sup>25</sup> while collecting \$7.8 billion and writing off \$4.5 billion.

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<sup>22</sup>GAO previously found that cumulative DI overpayment debt is understated due to a limitation in SSA's Recovery of Overpayments, Accounting and Reporting (ROAR) system. Used to track overpayments and collections, ROAR cannot capture and track debt scheduled to be collected beyond the year 2049. As a result, the amount scheduled to be collected after that year is not reflected in current totals even as it annually increases. GAO recommended that SSA correct the ROAR 2049 system limitation so that debt scheduled for collection after 2049 is included in the system and available for SSA management, analysis, and reporting. SSA agreed with this recommendation and has taken steps to request resources to correct the 2049 system limitation. For more information see GAO, *Disability Insurance: SSA Can Improve Efforts to Detect, Prevent, and Recover Overpayments*, [GAO-11-724](#) (Washington, DC: July 27, 2011).

<sup>23</sup>SSA provided summary data on DI beneficiary cumulative debt, new debt detected, adjustments, collections, and write-offs for each fiscal year for fiscal years 2005 through 2014. SSA cites the source of these data as its fourth quarter report for the Treasury Report on Receivables (TROR) for each fiscal year.

<sup>24</sup>Write-offs include waivers and terminated collections. Waivers represent money the agency will never recover because waived overpayments are permanently removed from SSA's accounts receivable balance. Terminated collections conditionally remove debts from SSA's accounts receivable balance, as the agency has ceased active internal collection efforts. Terminated debts are available for future collection if the debtor becomes re-entitled to benefits, in which case SSA will re-establish the debt and resume recovery through benefit withholding. SSA will also reestablish the debt if it receives a collection from one of its external collection methods such as tax refund offset.

<sup>25</sup>New debt accounted for about \$14 billion, or about 91 percent of the total added debt. Reestablished debts, which are debts reactivated for collection due to re-entitlement or other event, and adjustments accounted for about \$686 million and \$667 million of the total, respectively.

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## Many DI Overpayments and Waivers Are Due to Beneficiary Earnings Exceeding Program Limits

Overpayment debt resulting from beneficiaries earning above program limits (referred to hereafter as “work-related” overpayments) represent more than half of all overpayment debt, and more than a quarter of all beneficiaries with overpayments. According to data provided by SSA, the agency overpaid DI beneficiaries a total of about \$20 billion during fiscal years 2005 through 2014, and more than half of this total (\$11.5 billion) was a result of beneficiaries’ earnings exceeding program limits.<sup>26</sup> These data also showed that, on average, 28 percent of all overpaid beneficiaries received excess benefits because their work activity exceeded program limits.<sup>27</sup> The average work-related overpayment per beneficiary was almost \$12,000 during this period, compared to about \$3,300 for non-work-related overpayments.<sup>28</sup> For each year, total overpayments resulting from work activity were generally larger than non-work-related overpayments—such as overpayments due to medical improvement (see fig. 3).

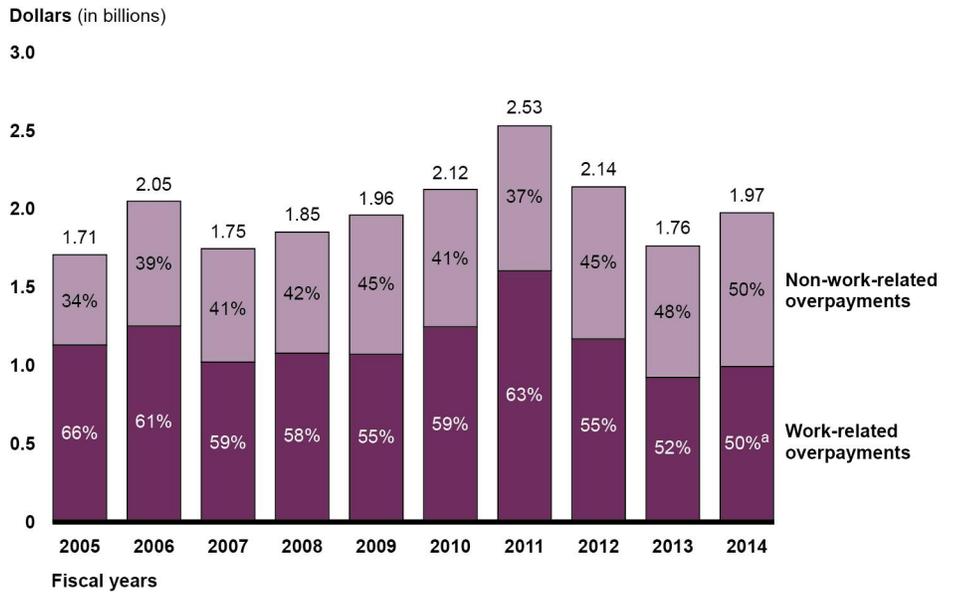
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<sup>26</sup>To determine the extent to which overpayments result from beneficiary work activity, we asked SSA to provide data on all DI overpayments that were work-related for each year in the 10-year period. In providing these data, SSA extracted information from its Recovery of Overpayments, Accounting and Reporting (ROAR) system, which reflects the current amount of beneficiary overpayments and the date established. However, when reporting overpayments in financial reports to Treasury or others, the agency must meet certain legal and financial accounting standards. SSA officials informed us that the Treasury Report on Receivables (TROR) report does not include what SSA characterizes as non-legally defined overpayments, such as benefits issued for the month of death. For the same years, SSA’s fourth quarter report for the TROR included a total of about \$14 billion in new legally defined overpayment debt to beneficiaries.

<sup>27</sup>Tracking beneficiaries over a 10-year period, a recent SSA OIG study found that within a national sample of 985 DI beneficiaries it reviewed, 26 percent (259) of DI beneficiaries were assessed overpayments and of these, about 12 percent (32) was due to work activity or changes in income. For this longitudinal study, see SSA OIG *Overpayments in the Social Security Administration’s Disability Programs—A 10-Year Study* (A-01-14-24114) June 4, 2015 at <http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-01-14-24114.pdf>.

<sup>28</sup>‘Non-work-related’ overpayments refer to all overpayments established in a given year that were not due to beneficiary earnings exceeding program limits.

**Figure 3: Social Security Disability Insurance Overpayments: Total Dollar Amount and Percent Due to Earnings Exceeding Program Limits, Fiscal Years 2005 through 2014**



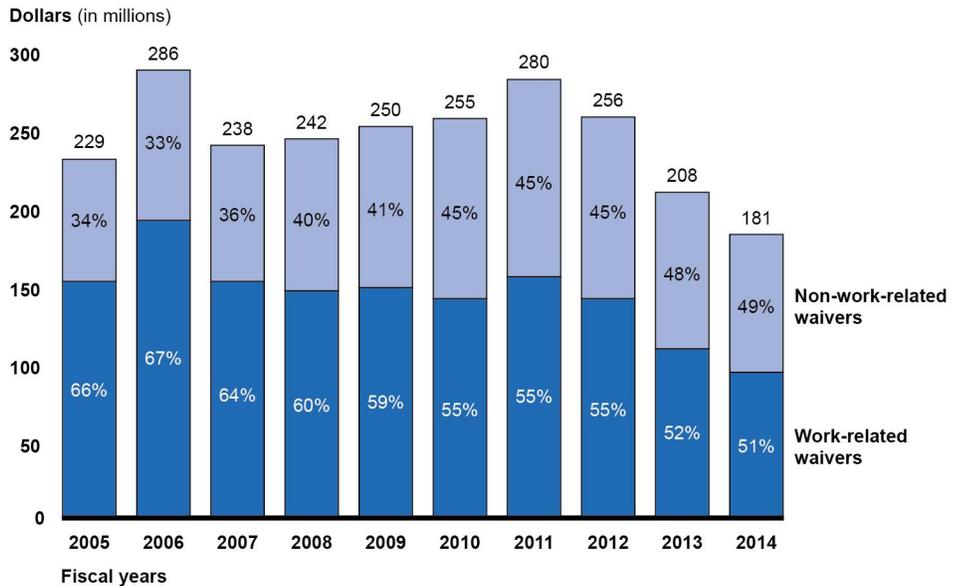
Source: Social Security Administration's Recovery of Overpayments, Accounting and Reporting (ROAR) system master file on May 11, 2015. | GAO-16-34

Note: Overpayment amounts are continuously updated in ROAR, which can lead to different amounts for the end of the fiscal year depending upon the date data are drawn from this system. For each year, these data differ from (were greater than) SSA's financial reports to Treasury, which are adjusted to align with accounting standards and exclude overpayments that do not meet SSA's definition of a legal overpayment.

Note A: In fiscal year 2014, work-related overpayments of about \$992 million exceeded non-work-related overpayments of about \$982 million.

Similarly, the majority of all waived overpayment debt for fiscal years 2005 through 2014 was for work-related overpayments. The total waived overpayment debt was about \$2.4 billion during this period, and almost 60 percent (\$1.4 billion) of permanent losses for the DI Trust Fund was for work-related overpayments. The average number of waivers based on work activity annually was about 16,200, or 36 percent of the total. Moreover, a higher percentage of work-related overpayments was waived compared to the percentage of non-work-related overpayments (17 percent versus 12 percent). The average annual work-related waiver amount was about \$8,800 during the 10-year period compared to about \$3,400 for non-work-related waivers. For each year, the dollar amount of waivers for work-related overpayments was larger than non-work-related waivers. In general, work-related overpayments were larger than non-work-related overpayments (see fig. 4).

**Figure 4: Social Security Disability Insurance Waivers: Total Dollar Amount and Percent Due to Earnings Exceeding Program Limits, Fiscal Years 2005 through 2014**



Source: Social Security Administration's Recovery of Overpayments, Accounting and Reporting system master file on May 11, 2015. | GAO-16-34

Note: The waiver amount is continuously updated in ROAR, which can lead to different amounts for the end of the fiscal year depending upon the date data are drawn from this system.

SSA regularly reviews the causes of improper overpayments—a subset of all improper payments<sup>29</sup>—but its methods have limitations that render some of its reported findings and projected estimates unreliable.<sup>30</sup> SSA

<sup>29</sup>An improper payment is defined as any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements. It includes any payment to an ineligible recipient, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), and any payment that does not account for credit for applicable discounts.

<sup>30</sup>For the most recent report, see SSA, Fiscal Year 2014 Title II Payment Accuracy Report, (Baltimore, MD: May 2015).

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annually reports to Congress, as required by law,<sup>31</sup> the dollar amount associated with improper DI payments and other related information.<sup>32</sup> In line with Office of Management and Budget guidance,<sup>33</sup> SSA reviews a random statistical sample of DI benefit payments to provide the required estimates of improper payments for the DI program and for specific causes of the improper payments. While SSA's sample is of sufficient size to estimate the DI program's overall improper payments, including both overpayments and underpayments,<sup>34</sup> our review found that the sample is not large enough to reliably attribute portions of the improper payment totals to categories of errors. Nevertheless, SSA reported that errors associated with beneficiaries having earnings above program limits were a major cause of improper overpayments, without disclosing that its findings and estimates were based on a handful of cases with small overpayment amounts.<sup>35</sup> On the other hand, reviewing enough cases to achieve reliable projections based on the cause of improper payments would require a very large original sample from the universe of benefit payments, and therefore may not be cost effective.

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<sup>31</sup>The Improper Payments Information Act of 2002 (Pub. L. No. 107-300), as amended by the Improper Payments Elimination and Recovery Act of 2010 (Pub. L. No. 111-204) and the Improper Payments Elimination and Recovery Improvement Act of 2012 (Pub. L. No. 112-248), as well as OMB guidance, require executive agencies to report annually on whether they are in compliance with various criteria, including publishing estimates of improper payments for all programs and activities identified under the agency's risk assessment.

<sup>32</sup>SSA makes information on improper payments publicly available on its website.

<sup>33</sup>Office of Management and Budget guidance also instructs agencies to report as improper payments any payments for which insufficient or no documentation was found. See OMB Circular A-123, Appendix C for guidance on implementing the requirements related to improper payments.

<sup>34</sup>For its recent report, SSA reviewed 1,768 cases, of which 552 cases were DI "non-medical," which, based on information provided by SSA, is sufficient to produce statistically reliable data on overall payment accuracy of DI payments issued during the fiscal year.

<sup>35</sup>Given the small number of cases in its sample associated with improper payments, SSA used a 5-year rolling average of sample results—15 cases involving a total of \$18,500 in overpayments—to project \$3.7 billion in potential overpayments resulting from errors associated with beneficiaries' earnings exceeding program limits. SSA refers to such potential overpayments as "deficiency dollars" because cases with more than one error would result in double counting related overpayments.

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SSA also conducts an internal quality review of work continuing disability reviews (CDRs) to identify the causes of payment errors, but this review also has limitations related to small sample sizes. SSA's most recent report reviewed a random sample of work CDR decisions made in fiscal year 2013.<sup>36</sup> It identified a variety of errors by staff that caused overpayment deficiencies, such as errors related to determining beneficiary earnings and resolving earning discrepancies. The report provides projected amounts of overpayments beyond the sample for each of these types of deficiencies for fiscal year 2013. SSA officials told us that its sample sizes for each error type were too small to report meaningful confidence intervals related to the types of deficiencies; however, this limitation is not disclosed in the report. More importantly, SSA lacks reliable information on the causes of overpayments to help focus or prioritize management attention. According to federal internal control standards, agencies must have relevant, reliable information to allow for effective monitoring and to help identify specific actions that need to be taken.<sup>37</sup> Without reliable information, Congress and SSA may not effectively address the root causes of overpayments.

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## SSA's Processes and Complex Program Rules May Contribute to Overpayments

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### Process Weaknesses and Limited Oversight for Handling Work Reports May Lead to Overpayments

In our reviews at several locations, we identified situations where SSA staff may not always record beneficiaries' work information, which is inconsistent with SSA procedures as well as federal internal control standards.<sup>38</sup> According to federal internal control standards, agencies should ensure that all transactions are recorded promptly and accurately to help management ensure efficient operations and make decisions. According to SSA procedures, staff must manually enter beneficiaries'

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<sup>36</sup>SSA, Fiscal Year 2013 Title II Work Continuing Disability Review: Quality Review Findings (Baltimore, MD: August 2014).

<sup>37</sup>[GAO/AIMD-00-21.3.1](#).

<sup>38</sup>[GAO/AIMD-00-21.3.1](#).

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work information into the eWork<sup>39</sup> system, which generates a receipt and initiates tracking of that information. Under certain limited conditions, SSA policy allows staff to use an alternate approach instead of eWork to send work reports to the field office for manual entry and processing.<sup>40</sup> Nevertheless, at one of six locations where we interviewed staff handling 800 number teleservice calls,<sup>41</sup> we learned that a teleservice center manager, responding to a notification from another office, found that staff were routinely using this alternate approach instead of directly entering the information into the eWork system, which tracks pending work reports to help ensure completion within 30 days. Work reports handled this way lack the controls present in eWork; for example, they are not automatically tracked against this 30-day goal, and thus, they can be more easily missed or overlooked. Further, work reports handled this way are at risk of being deleted or marked as completed without action being taken. According to SSA officials, tracking helps to ensure that SSA promptly processes the work report and takes the actions needed to adjust a beneficiary's benefits and minimize the chance of overpayments.

In addition, some beneficiaries may not receive a receipt for work information they report, as required by law and regulation. Some SSA claims representatives we interviewed told us that they may bypass entering beneficiaries' work report information into eWork and instead initiate a continuing disability review (CDR) because it is more efficient; however this means that the beneficiary does not receive a receipt, as with a work report. SSA's policy for conducting CDRs is not clear that a

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<sup>39</sup>In 2004, SSA implemented the eWork system, which is the primary system for processing work CDR cases in headquarters and field locations.

<sup>40</sup>Rather than eWork, teleservice staff may use Modernized Development Worksheets (MDW) to transmit beneficiary work information to a field office. MDWs are a type of inter-office message used to request assistance from another SSA office. SSA policy allows teleservice staff to use MDWs to send DI work reports to the field office only if the work information is not being reported by a first party (i.e., the beneficiary, the representative payee, or someone who is acting at the request of the beneficiary), or when the staff person cannot acceptably establish the identity of the person making the report.

<sup>41</sup>SSA staff answer 800-number teleservice line calls in 29 teleservice centers (TSC) nationwide, as well as two locations in the Office of Central Operations (OCO) in Baltimore, MD and Wilkes Barre, PA; and in the six program service centers (PSC) located across the country. The staff who answer calls include teleservice representatives in the TSCs, Customer Service Representatives in OCO and Technical Service Technicians and Benefit Authorizers who answer calls in the PSC locations.

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work report is required before initiating a CDR.<sup>42</sup> In addition, due to competing workloads, staff told us that there may be delays in inputting work reports, and thus, delays in issuing receipts within the required 5 business days when beneficiaries mail, fax, or phone in work reports or deliver them to the office but do not wait for the receipt. Further, several SSA staff told us that although SSA's policy requires that beneficiaries receive a receipt for reporting work, there is no mechanism to help ensure that all beneficiaries who report ultimately receive a receipt. Representatives of advocacy organizations we interviewed said that beneficiaries they work with do not always receive receipts, especially when reporting work by calling the 800 teleservice line. Issuing a receipt is required by law and is valuable to the beneficiary for two reasons: (1) the beneficiary can review the receipt to ensure that SSA correctly recorded their information; and (2) a beneficiary who later receives an overpayment can produce work report receipts to help prove that he/she properly reported work activity. Without evidence showing that the beneficiary properly reported work, beneficiaries may be found at fault for a future overpayment and required to repay it.<sup>43</sup>

We also found deficiencies in controls regarding how work information is shared between the DI and SSI programs for beneficiaries who receive

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<sup>42</sup>Specifically, SSA's policy covering work CDRs states that a work CDR should be initiated when a report of work is received from a beneficiary, but does not state that the work report must be documented in eWork before initiating the work CDR.

<sup>43</sup>According to SSA, the receipt is one factor SSA considers when determining if a beneficiary is at fault in causing the overpayment. SSA policy states that any individual who demonstrates either a lack of good faith or failure to exercise a high degree of care in reporting circumstances which may affect entitlement to or the amount of benefits will be found at fault for the overpayment. The policy provides that lack of good faith in preventing an overpayment is evident when the facts show the overpayment resulted from: an incorrect statement by the person which he/she knew or should have known was false; the person's failure to furnish information which he/she knew or should have known was material; and the person's acceptance of any payment that he/she knew or should have known was incorrect. As such, presenting a work receipt with a waiver request does not automatically mean the beneficiary was without fault in causing the overpayment. The policy further provides that the degree of care expected varies with the complexity of the circumstances giving rise to the overpayment and the capacity of the individual to realize that he/she is overpaid. If the evidence clearly shows that the individual did not understand and comply with reporting responsibilities, that individual can usually be found without fault. See POMS GN 02250.005.

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both benefits,<sup>44</sup> which can lead to overpayments. SSA has a mechanism for sharing DI and SSI program work information that is only partially automated. Specifically, a DI or SSI program alert is generated when earnings for a given period have been entered for one program, but not the other. When staff receive these alerts, the missing wage information must be manually entered, and in some cases, staff may need to calculate the correct wage amounts.<sup>45</sup> However, SSA policies do not specifically require field office managers to monitor these alerts that would help ensure work information for concurrent beneficiaries is being entered into the databases for both programs. According to SSA, handling these alerts is left to the discretion of field office managers. In our case file review, we identified a recipient who had reported work by submitting over 40 pay stubs to the SSI program, but this information was not entered into the DI eWork system. Consequently, the individual was assessed an overpayment of more than \$24,000 in the DI program, and a requested waiver was denied for “failure to report.”

Despite these vulnerabilities in the work reporting process, SSA lacks data to determine the extent to which staff are following established procedures. For example, although SSA’s eWork system captures some information that would help the agency determine how many reports are filed by fax, mail, phone, or in person, it lacks information in order to determine the extent to which receipts are provided within 5 days. In addition, SSA’s system has the capacity to capture the dates on which work reports were made and work CDRs were conducted, but the agency has not determined how often staff begin a CDR without first creating a work report and issuing a receipt, per SSA policy. Agency officials stated that this type of analysis would be a significant undertaking, and would include instances where a work report may not be required before beginning a work CDR.<sup>46</sup> Similarly, officials said that in order to determine the extent to which 800 teleservice staff might be using alternative

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<sup>44</sup>Beneficiaries can also receive DI benefits concurrently with SSI, which provides monthly benefits to eligible applicants with limited income and resources who are disabled, blind, or 65 or older. In June 2015, about 1.6 million people with disabilities who were under age 65 received both DI and SSI benefits.

<sup>45</sup>SSI income is counted when it is paid, whereas DI income is counted when it is earned. Staff may need to review pay documents to determine the correct month in which to record the earnings on the individual’s DI record.

<sup>46</sup>According to SSA policy, work CDRs resulting from an enforcement alert would not require a work report.

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approaches for sending work reports to field offices, the agency would have to match data between two systems, which it has not done to date. Officials stated they had no indication that offices were using an alternate approach and not following the established procedures for inputting work reports into eWork.

Although the agency monitors the timeliness of staff action on work reports, SSA does not monitor whether these actions are appropriate, or provide guidance or feedback to staff. SSA has set a 30-day time frame for staff to screen pending work reports, and decide whether further action is required in light of the information in the work report, or whether the work report can be closed without conducting a work CDR. Field office managers who oversee field office workloads have access to management information showing the number and age of pending work reports, and those we interviewed indicated that they follow up on those approaching the 30-day time frame to ensure timely processing. Although SSA believes that it has provided guidance to staff on how to screen work reports to determine further action, we found that SSA's policy lacks clarity in detailing the steps staff must take in screening these reports, and that offices had varied screening practices. Several field office staff we interviewed said that determining whether further action is needed is at the discretion of the staff person reviewing the work report, while staff in another field office said that they conduct a work CDR on every work report received. Federal internal control standards state that agencies' policies and procedures should be clearly documented in administrative policies or operating manuals.<sup>47</sup> Without explicit policies or procedures on how to screen a work report—that is, how to evaluate whether it should be closed or referred to a work CDR to determine whether the beneficiary's benefits should be adjusted—there is an increased risk that a report could be improperly closed, and eventually result in a beneficiary being overpaid.

SSA also lacks guidance and processes for ensuring appropriate work report screening and decisions through oversight and feedback to staff. In our work at several field locations, we did not identify any processes to review work reports that are closed without a CDR, or provide feedback to staff on their handling of such reports. Some managers we interviewed told us they did not feel work reports were sufficiently complex to warrant

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<sup>47</sup> [GAO/AIMD-00-21.3.1](#).

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such reviews. SSA officials noted that if there were indications of problems, they could include reviews of work reports as part of existing review processes. In accordance with federal internal control standards, agencies should assure that ongoing monitoring occurs in the course of normal operations, and assess the quality of performance over time.<sup>48</sup>

The absence of oversight and feedback increases the risk that the agency may not identify errors with work report decisions in a timely manner. In discussing this issue with SSA, officials noted that the agency will take steps to update relevant policy to clarify instructions for screening reports; however, they did not indicate whether these updated policies will establish oversight and feedback procedures.

SSA also does not offer automated reporting options for DI beneficiaries similar to those currently used in SSA's Supplemental Security Income (SSI) program. Such options could help minimize the potential effect of vulnerabilities we identified. According to SSA officials, SSA first piloted a telephone wage reporting system for SSI recipients in 2003, and has used it nationally since 2008. In 2013, the agency also rolled out a mobile smartphone application for reporting work activity for SSI. Unlike the DI program's manual process, both of these SSI reporting options assist with agency tracking and issue receipts to the individual without staff intervention. SSA has also noted that these automated tools make reporting easier and more convenient for recipients, and reduce field office workloads. SSA reported that it processed over 35,000 SSI telephone wage reports in July 2015. In the same month, the agency also received nearly 45,000 wage reports through its smartphone application. SSA continues to promote these methods for SSI recipients and expects that expanded use of automated reporting will help reduce improper payments in the SSI program.

Despite potential benefits to the DI program, SSA officials told us the agency is not pursuing SSI reporting systems for DI beneficiaries. In October 2010, SSA created a work group to begin exploring the development of a telephone reporting system for the DI program, but according to SSA officials, the project was discontinued in February 2011—after developing cost estimates for one year of development—due to lack of resources. They also told us these efforts were not resumed because automated reporting in the DI program would not have the same

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<sup>48</sup>[GAO/AIMD-00-21.3.1](#).

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return on investment as in the SSI program, due to the complexity of DI program rules. Specifically, while the SSI reporting system automatically calculates the effect of the work report on an individual's benefits, officials said that factoring DI work incentives into the equation—determinations that are currently a part of the work CDR process, not the DI work reporting process—cannot be easily automated. Rather than pursue options that allow beneficiaries to report by phone or smartphone application without automating the CDR process, SSA officials stated they currently favor using the “my Social Security” portal for providing automated reporting options to DI beneficiaries. SSA officials said for fiscal year 2016, the agency approved development of a work report portal using the my Social Security website that would create an avenue for DI beneficiaries to report work electronically, but stops short of automating the work CDR process. However, the agency could not provide us with specific details on how they planned to accomplish this or when they would implement such an approach. In the meantime, the current manual DI work reporting process is vulnerable to error and ultimately, overpayments.

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### Beneficiaries May Receive Inadequate Information on Complex Program Rules

Due in part to SSA's unclear work reporting requirements and differing interpretations by staff of complex DI program rules, beneficiaries may receive inadequate and inconsistent guidance on when to report their work, which may result in overpayments. SSA's regulations<sup>49</sup> and its policy manual both state that DI beneficiaries should “promptly” report changes in work activity, but SSA has not defined this term, thus leaving it open to interpretation by both beneficiaries and SSA staff. Similarly, in its pamphlet “Working While Disabled,” beneficiaries are instructed to report changes in their work “right away.” However, it does not prescribe a time period or frequency of reporting. During our interviews with field staff, we found variation in how staff instructed beneficiaries to report. For example, some staff said they instruct working beneficiaries to report monthly, regardless of whether there are changes in their work, which is similar to the SSI program's wage-reporting requirements. Other staff told us they tell beneficiaries to report 10 days after any change, which is also similar to another SSI reporting requirement.<sup>50</sup> One staff person indicated that beneficiaries need not report earnings under \$15,780 per year, even

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<sup>49</sup>20 C.F.R. § 404.1588(a).

<sup>50</sup>SSI recipients must report certain changes such as changes of address or changes in income within 10 calendar days after the month in which the change occurred.

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though this earnings limit applies to those receiving Social Security retirement benefits, not DI. Thus, a DI beneficiary who relied on such information could incur an overpayment. According to federal internal control standards, federal agencies should ensure that pertinent information is distributed to the right people in sufficient detail and at the appropriate time to enable them to carry out their duties and responsibilities efficiently and effectively.<sup>51</sup>

SSA provides some additional written materials to beneficiaries to inform them about their benefits and use of work incentives, but this information is only distributed upon request and does not clarify requirements for reporting work.<sup>52</sup> Specifically, SSA prepares a statement of the beneficiary's benefits and work history as stored in SSA's electronic records, called the Benefits Planning Query.<sup>53</sup> It provides customized information to beneficiaries, including a summary of their DI and SSI work and earnings history, as well as disability cash benefits paid. This information could help make beneficiaries aware of how SSA is tracking their work activity and whether their work information and earnings are recorded accurately, which could help avoid overpayments. According to SSA, the agency only prepares this statement upon request from beneficiaries or their representatives, and includes this information in notices sent to beneficiaries when the agency has already made a CDR determination.<sup>54</sup> Although one publication for DI beneficiaries, the SSA Red Book<sup>55</sup> describes the Benefits Planning Query and how to request

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<sup>51</sup>[GAO/AIMD-00-21.3.1](#).

<sup>52</sup>In commenting on our report, SSA identified grant and other programs designed to support DI beneficiaries who are trying to work (see app. I). SSA-funded programs that provide return-to-work supports through contractors or other outside organizations were outside the scope of our review.

<sup>53</sup>According to SSA, the Benefits Planning Query was originally developed for the Ticket to Work Program, which helped eligible DI and SSI beneficiaries obtain and retain employment and reduce dependence on SSA benefits. Service providers, called employment networks, used the Benefits Planning Query to advise beneficiaries about available work incentives.

<sup>54</sup>In commenting on our report, SSA noted that information in the Benefits Planning Query is presented in a format suited for those trained in work incentive policies.

<sup>55</sup>The Red Book is a general reference guide to SSA's work incentives for disabled beneficiaries, including DI beneficiaries. See Social Security Administration, *The Red Book: A Summary Guide to Employment Supports for Persons with Disabilities Under the Social Security Disability Insurance and Supplemental Security Income Programs*. SSA Publication 64-030. (Baltimore, MD: 2015)

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one, other SSA publications for DI beneficiaries, such as the “Working While Disabled” pamphlet, do not.

Further, in our reviews at several locations, we found that some SSA staff may not fully understand DI’s complex work incentive rules. For example, several staff we spoke with confused the trial work period earnings threshold with substantial gainful activity limits. While we did not observe instances of SSA staff providing incorrect information to beneficiaries, such a mistake, if shared with beneficiaries, could result in incorrect reporting. Stakeholder groups we spoke with cited similar examples of SSA staff providing beneficiaries with incorrect information on work incentives. SSA officials told us that in fiscal year 2013, the agency sampled calls received on its 800 teleservice line for quality review purposes, and found that calls regarding disabled work activity represented only 1.4 percent of the total call workload, but 2.3 percent of all errors identified. Several SSA managers we spoke with said that training could be enhanced for those staff answering calls on SSA’s 800 teleservice line. In particular, they noted that staff members who answer calls only during months with high call volume (referred to as “spikes”) could especially benefit from refresher training on DI program rules, since they only answer calls for several months each year. In discussing this finding, SSA officials said they plan to review the specific errors mentioned in the 800 teleservice call quality review reports, and where appropriate, evaluate the need to provide refresher training to staff.

Despite the importance and challenges associated with work reporting, SSA provides beneficiaries with infrequent reminders, and those reminders contain limited information about potential liability for overpayments. Federal internal control standards state that management should ensure there are adequate means of communicating with, and obtaining information from, external stakeholders that may have a significant impact on the agency achieving its goals.<sup>56</sup> SSA currently informs beneficiaries of reporting requirements when their benefit

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<sup>56</sup>[GAO/AIMD-00-21.3.1](#)

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application is initially approved although it could be many years before a beneficiary returns to work.<sup>57</sup>

SSA also sends an annual letter to beneficiaries regarding cost-of-living adjustments to their benefits that includes a reminder of their reporting responsibilities; however, several staff indicated that additional reminders would prompt more beneficiaries to report work. In contrast, in fiscal year 2014, SSA began providing a web-based service designed to prompt SSI recipients to report wages, using e-mails and text message reminders. SSA officials told us that DI beneficiaries are not prevented from using this service, but unlike SSI recipients, DI beneficiaries are not systematically informed of this service. They also stated that the agency does not have specific plans to provide additional notices to DI beneficiaries to encourage work reporting. Lastly, although the initial application and annual letter mention potential liability for overpayments for beneficiaries who do not report work, SSA's "Working While Disabled" pamphlet—which contains details about work incentives and is provided to beneficiaries who contact SSA about work—does not explain circumstances under which a beneficiary could be found liable for an overpayment. For example, a beneficiary can be found liable for an overpayment even if he or she is not at fault, if the beneficiary has the financial means to repay the overpayment, and recovery of an overpayment would not be against equity and good conscience.<sup>58</sup> Some SSA staff we spoke with said they tell beneficiaries not to spend benefit checks or deposits that they believe were sent in error.<sup>59</sup> However, representatives of one stakeholder group we spoke with said that many beneficiaries mistakenly believe that if they diligently report work and still receive benefits, they must be entitled to them. Without a careful exploration of options for ensuring sufficient and timely reporting reminders to DI beneficiaries—and appropriate follow through with

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<sup>57</sup>One SSA staff member suggested a way to make it more difficult for beneficiaries who incur an overpayment to claim they were unaware of their reporting responsibilities. Specifically, this staff member indicated that the signature page of the application for new beneficiaries could include information about work reporting requirements. This information is currently included in the application form but not on the signature page.

<sup>58</sup>Beneficiaries may also be responsible for repaying benefits they continue to receive while appealing an initial decision, when the final decision is not in their favor. 20 C.F.R. § 404.1597(j).

<sup>59</sup>According to SSA policy, beneficiaries may request a voluntary suspension of benefits to avoid or reduce a possible overpayment. See POMS DI 13010.160C.

implementing the best option—SSA may forego opportunities for enhancing the beneficiaries’ understanding of work reporting requirements, and preventing future overpayments caused by lack of beneficiary reporting.

## Weaknesses Undermine SSA’s Handling of Overpayment Waivers

Our work and reviews by others found weaknesses in SSA’s process for waiving overpayments that increase the risk of error, including:

- limited controls over waivers involving low-dollar overpayments,
- high error rates in waiver documentation and minimal documentation requirements for certain waivers,
- lack of tools to verify self-reported information on beneficiaries’ income and assets, and
- limited oversight, especially for waivers involving low dollar amounts.

Currently, SSA policy allows certain overpayments to be waived without any review, increasing the risk of error or fraud. As shown in Table 1, service and teleservice representatives, as well as claims representatives—SSA’s front line staff—can “administratively” waive overpayments up to \$1,000—that is, without additional review of their decision and without consideration of a beneficiary’s ability to repay, as long as the beneficiary is not at fault for the overpayment. In addition, according to SSA’s policy manual, claims representatives can waive overpayments of up to \$2,000 without additional review of their decision, although all waiver criteria must be considered, including the ability of the beneficiary to repay the debt.

**Table 1: Social Security Administration Procedures for Title II [Note A] Waiver Approval by Waiver Amount**

Overpayment Amount	Review Procedures
\$1,000 or less (administrative waiver)	Service Representative/Teleservice Representative or higher may approve—additional review not required and no consideration and documentation of beneficiary’s ability to pay required [Note B]
\$1,000.01 or more but less than \$2,000	Claims representative (CR) or higher may approve—additional review not required
\$2,000 or more but less than \$20,000	CR or higher makes initial decision; review by second CR or higher required
\$20,000 or more but less than \$75,000	CR or higher makes initial decision; review by Management Support Specialist or higher required
\$75,000 or more	CR or higher makes initial decision; review by management official and regional management required

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Source: GAO review of SSA POMS policy manual | GAO-16-34

Note A: Title II waivers include waivers of overpayments to those receiving old-age, survivor and dependent benefits, as well as those receiving DI benefits

Note B: Staff in SSA's program service centers are also authorized to administratively waive overpayments of \$1,000 or less.

SSA's risk-based approach of not requiring additional reviews for low-dollar waivers is consistent with internal control guidelines, but a systems limitation could allow staff to incorrectly waive overpayments or prevent managers from detecting incorrect waivers that represent a large portion of the total number of waived overpayments.<sup>60</sup> For example, although SSA's Debt Management System (DMS)<sup>61</sup> is supposed to prevent staff from administratively waiving overpayments over \$1,000, a 2015 SSA quality review report noted that DMS inappropriately allows SSA staff to do so. Moreover, 12 of the 54 staff and managers we interviewed who were responsible for handling waivers, including 5 technical experts who advise staff handling waivers, were unclear or provided incorrect information about amounts that could be waived without review. Moreover, six of the staff and managers incorrectly believed that DMS automatically prevents staff from approving a waiver above their authorized limit. Federal internal control standards state that agencies should have controls in place to ensure the completeness, accuracy, authorization, and validity of all transactions during data processing.<sup>62</sup> Without these controls, SSA lacks reasonable assurance that waivers are being appropriately granted. In our limited review of 10 cases involving waived overpayments, we found 1 overpayment exceeding \$1,000 that was administratively waived, which is contrary to SSA's policy that allows administrative waivers only for overpayments under \$1,000. As of September 2015, SSA did not yet have specific plans for making the necessary changes to the DMS system.

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<sup>60</sup>In fiscal year 2014, staff approved 10,282 waiver requests for overpayments under \$2,000 (with a total waiver value of \$8 million)—which represents almost one third of all approved waivers (34,756), albeit only 4 percent of the total amount approved for that year. Of these, 6,857 were \$1,000 or less.

<sup>61</sup>DMS is SSA's financial management system. DMS consolidates the agency's program debt activities, including overpayments and actions against the debts, amounts collected and written off (e.g., waivers), and methods of collection and debtor requests for due process.

<sup>62</sup>[GAO/AIMD-00-21.3.1](#)

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Further, SSA's minimal documentation requirements for waivers under \$1,000 when the beneficiary is not at fault limit the agency's ability to conduct effective oversight. For these waivers, staff are instructed to document the decision as a remark in the beneficiary's DMS record. SSA's practice is to delete such remarks from the record 6 months after the overpayment event, making it difficult for SSA to review the decisions at a later date. In our review of 10 DI case files, including 2 involving overpayments under \$1,000, we found one case where an overpayment had been administratively waived in 2013, but the electronic file did not include or no longer included DMS remarks or other documentation explaining the reason for the waiver. Federal internal control standards state that transactions need to be clearly documented, and the documentation should be readily available for examination.<sup>63</sup>

Two recent reviews found that staff are waiving overpayments without sufficient documentation, and SSA is taking remedial steps in response to these findings; however, neither the reviews nor SSA's planned actions explicitly target low-dollar overpayments and waivers. In 2015, SSA's Continuous Quality (CQ) Area Director Reviews found documentation errors in 45 percent of the initial Title II waiver decisions that were reviewed, and in more than half of the waiver decisions resulting from personal conferences, which are the next step of the waiver process.<sup>64</sup> In addition, a 2015 review by the SSA Office of the Inspector General (OIG)<sup>65</sup> found that 63 percent of Title II waivers they reviewed did not have all of the required documentation to support the request for waiver and SSA's decision. Both the OIG study and the SSA review made recommendations to address gaps in guidance and training on waiver processing. In response to the CQ report, an SSA work group recommended clarification of the agency's policy for waiver processing as

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<sup>63</sup>[GAO/AIMD-00-21.3.1](#)

<sup>64</sup>Social Security Administration, *Continuous Quality Area Director Review: Data Analysis Report Findings and Recommendations* (Baltimore, MD: January 2015). In this report, 2,849 Title II initial waiver decisions and 1,152 personal conference waiver decisions were reviewed.

<sup>65</sup>SSA OIG limited its review to 833 field offices that processed at least 100 Title II or Title XVI (Supplemental Security Income for the aged, blind and disabled) overpayment waiver requests during fiscal years 2012 and 2013, and then selected offices where the waiver approval rates were outside the typical range. SSA Office of Inspector General, *Overpayment Waiver Requests Processed by Field Offices in FY2012 and FY2013* (Baltimore, MD: July 30, 2015)

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well as systems enhancements. SSA indicated that it plans to roll out a decision tree tool nationally this year, and anticipates having a draft plan for addressing the report's other recommendations in fall 2015. In response to the OIG's recommendation, SSA announced on September 2, 2015, the availability of additional tools for handling overpayments. In addition, SSA developed and released an 8-part training video on documenting waiver requests and decisions.

In light of SSA's limited controls over waivers involving low-dollar overpayments, and general weaknesses found in the waiver process, SSA's oversight over DI waiver decisions is limited. Specifically, the agency does not conduct targeted reviews of DI waivers, including some low-dollar waivers, or regularly analyze waiver data for the purposes of monitoring or performance improvement. SSA officials told us they track the amount of overpayment debt that is waived, but do not systematically review the completeness of the documentation, or trends in waiver decisions. To help ensure quality of field office case handling, including waivers, SSA relies on CQ Reviews, which are conducted under the direction of the agency's area offices. These reviews began in 2014 and have included a quality review of some Title II waiver decisions but did not target DI waiver decisions or DI waiver decisions under \$2,000. SSA also reviewed a sizeable number of SSI waiver decisions (nearly 5,500) under \$2,000 and found that 50 percent of those decisions needed corrective action.<sup>66</sup> SSA did not conduct a comparable review of DI waivers, although SSA officials stated that it would be helpful to do so. At the same time, in July 2015, SSA's OIG reported a wide range in the percentage of waivers approved by field office staff in fiscal years 2012 and 2013; specifically, 60 field offices approved Title II waivers at a rate of 91 percent or higher, including 14 offices that approved waivers at a rate of 96 percent or higher, while 30 field offices approved waivers at a rate of 40 percent or lower. The OIG noted that five of the field offices with Title II waiver approval rates between 96 and 100 percent also had approval rates above 50 percent for administrative waivers, which require less documentation and no supervisory review. The OIG report recommended that the agency regularly analyze data and review field offices with extremely high or low waiver approval rates to determine compliance with SSA's waiver policies. SSA agreed with the OIG's

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<sup>66</sup>Corrective actions represent a combination of decision and documentation errors. Not all corrective actions involve a payment error.

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recommendation and also agreed to explore the possibility of developing an automated program that would compile data on DI waivers and report that information by field office. However, OIG's recommendations and SSA's plans do not go as far as conducting regular reviews of DI waiver decisions, including those involving some overpayments under \$2,000.

Another weakness in the waiver process is the lack of tools to help verify beneficiaries' self-reported income and assets, which increases the potential for making waiver decisions based on inaccurate information. SSA staff we interviewed noted challenges with collecting and assessing financial information from beneficiaries, which they need to determine beneficiaries' financial situation and their ability to repay an overpayment. Agency officials told us that they are considering using SSI program processes, called Access to Financial Institutions, to verify financial information when DI beneficiaries request a waiver or a reduced monthly withholding of their DI benefits. However, these officials said that unlike its authority under the SSI program,<sup>67</sup> federal law does not currently authorize SSA to obtain financial records of DI beneficiaries. Officials noted that they are pursuing this authority via a legislative proposal included in the President's fiscal year 2016 budget proposal.<sup>68</sup>

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## Conclusions

Benefits paid to working individuals who have earnings above DI program limits represent an avoidable drain on the nation's dwindling DI trust fund. Such overpayments may also place undue financial hardship on conscientious beneficiaries who reported work but nevertheless were overpaid and now have to repay this debt. In addition, the potential for such an overpayment may create a disincentive for beneficiaries to further pursue work. Although SSA reports information on the causes of DI overpayments, this information is unreliable and as such, is less helpful in identifying potential solutions. Despite the importance of avoiding overpayments, SSA's multi-faceted processes for handling work reports contain internal control weaknesses and other vulnerabilities that may result in SSA not taking prompt action to adjust benefits and avoid overpayments. In addition, absent an oversight process that helps ensure proper screening of work reports, SSA may be missing additional opportunities to prevent overpayments. Nonetheless, SSA has done little

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<sup>67</sup>See 42 U.S.C. § 1383(e)(1)(B)(ii)(I).

<sup>68</sup>Specifically, SSA has requested authority to verify financial information for DI and other beneficiaries seeking overpayment waivers.

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to automate DI work reporting options as it has for SSI recipients, which leaves the process more open to error. In addition, SSA has not provided a clear trail of evidence for those who diligently report work. Overpayments may also result from complex program rules, which confuse beneficiaries and SSA employees, yet SSA has not sought to clarify internal or external guidance, or employed technology to communicate more frequently with beneficiaries, as it has with the SSI program. Finally, by not fully leveraging ongoing initiatives to review DI waiver approvals, including low-dollar waivers—despite evidence indicating that waiver policies have been inconsistently applied—the agency is limited in its ability to pinpoint weaknesses in policies, procedures or practices, and ensure overpayments are not waived in error.

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## Recommendations for Executive Action

To improve SSA's handling of overpayments, work reports, and waivers, we are making the following seven recommendations to SSA's Commissioner:

- 1) To improve transparency in reporting processing errors, SSA should provide additional information on the margins of error or confidence intervals, and clearly identify any limitations in its findings on overpayment information provided to Congress and the public.
- 2) To minimize the potential effect of vulnerabilities in the work reporting process, SSA should take steps to help ensure that work information is entered directly into eWork, the system of record for work information, and issue required receipts. Such steps could include:
  - a) Improving and issuing guidance and training to field and 800-number staff to help ensure they log information into eWork and issue required receipts.
  - b) Establishing policies to monitor alerts to help ensure that work information for concurrent beneficiaries is reflected in SSI and DI systems, and take steps to monitor and make enhancements to systems or guidance, as needed.
- 3) To further ensure the effective screening of work reports, SSA should monitor its process for handling work reports to determine whether staff are taking action on work reports in accordance with proper procedures, and provide feedback to staff as needed.
- 4) To enhance the ease and integrity of the work reporting process, SSA should study the costs and benefits of automated reporting options,

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including options similar to those currently available for SSI recipients, but that do not go as far as automating the continuing disability review process.

- 5) To enhance beneficiary understanding of work reporting requirements, SSA should:
  - a) Clarify work reporting requirements provided to beneficiaries.
  - b) Explore options for increasing the frequency of reporting reminders to DI beneficiaries, similar to those currently available to SSI recipients.
- 6) To improve compliance with waiver policies, SSA should develop a timetable for implementing updates to its Debt Management System to:
  - a) Align system controls with SSA policy, so that waivers over \$1,000 cannot be administratively waived.
  - b) Ensure that evidence supporting waiver decisions is sufficiently maintained to allow for subsequent monitoring and oversight.
- 7) To improve compliance with waiver policies, SSA should take steps to regularly assess the accuracy of DI waiver decisions, particularly for administrative waivers and for some waivers under \$2,000. This could include periodically reviewing approved and denied DI waivers through its continuous quality initiative.

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## Agency Comments and Our Evaluation

We provided a draft of this report to the Social Security Administration (SSA) for comment. In its written comments, reproduced in appendix I, SSA agreed with all but one of our seven recommendations. SSA disagreed with our recommendation that it assess the quality and accuracy of work reports and provide feedback to staff as needed. In its response, SSA stated that work information provided by beneficiaries is not verified when provided in a work report, but instead during the process of conducting a work continuing disability review (CDR). In our report, we acknowledge the role of the work CDR process in verifying earnings and other information provided by the beneficiary, and ultimately determining the effect of work on benefit receipt. However, we also noted that if a work report were improperly closed when a work CDR should have been conducted, an overpayment could result; that SSA staff do not receive feedback on their handling of work reports; and SSA lacks

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procedures for reviewing work reports that are closed without a work CDR. We clarified our report and recommendation to reflect that oversight to determine whether staff are taking appropriate action on work reports, and feedback to staff on their handling of these reports, are both lacking and needed to help SSA prevent unnecessary overpayments.

SSA suggested that we reconsider including the statement that overpayments may have implications for the long-term solvency of the DI trust fund. SSA stated that DI overpayments constitute a very small percentage of total DI payments, and noted that the Social Security Trustees report does not identify overpayments as a factor in the long-term cost of the DI program. While we acknowledge that overpayments are a relatively small portion of DI payments overall, they constitute significant sums of taxpayer funds. Further, such improper payments, which are a government-wide issue, could potentially be reduced through further agency efforts, as discussed in our report.

SSA also noted that our report did not acknowledge all that the agency does to inform beneficiaries about work incentives and to support individuals who want to return to work. SSA cited several such programs, including its Work Incentive Planning and Assistance grants to community organizations and the Ticket to Work program,<sup>69</sup> which provide support to beneficiaries through contractors and the Department of Education's Vocational Rehabilitation program. Our report focused on (1) the extent of DI overpayments and waivers, (2) how SSA's handling of work activity reported by beneficiaries prevents overpayments, and (3) how SSA ensures appropriate decisions are made to waive overpayments. As such, we did not review whether or the extent to which these programs administered by outside parties provided correct or timely information on, or helped DI beneficiaries comply with work reporting requirements. SSA noted that going forward, it plans to encourage work and minimize overpayments through a variety of initiatives, including developing more efficient ways to provide beneficiaries and organizations serving them with a Benefits Planning Query and testing whether direct phone outreach would encourage SSI recipients to sign up for work reporting via phone

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<sup>69</sup>The Ticket to Work program provides funding for SSA disability beneficiaries to receive employment services, vocational rehabilitation services, or other services to help them obtain and retain employment and reduce their dependency on benefits or payments. Individuals may receive services from SSA-approved public or private providers, known as employment networks, or traditional state VR agencies.

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and mobile applications. We are pleased that SSA is considering ways to improve outreach and facilitate reporting of work information—both of which could help minimize or prevent overpayments.

SSA agreed with the remainder of our recommendations and provided additional information about recent efforts to improve guidance on overpayment and waiver processing and steps the agency will take going forward. In agreeing with our recommendation that SSA study costs and benefits of automated reporting tools, SSA indicated it plans to explore a proposal to allow DI beneficiaries to report work activity on SSA's *my Social Security* website. We welcome SSA's efforts to this end, but clarified in our recommendation that SSA should also study the costs and benefits of providing automated options currently available to SSI recipients—such as reporting work activity by phone—stopping short of automating the work CDR process. SSA also provided technical comments, which we incorporated as appropriate.

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We are sending copies of this report to the appropriate congressional committees and the Commissioner of the Social Security Administration. In addition, the report is available at no charge on GAO's website at <http://www.gao.gov>.

If you or your staffs have any questions about this report, please contact me at (202) 512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made major contributions to this report are listed in appendix II.



Daniel Bertoni  
Director, Education, Workforce and  
Income Security

# Appendix I: Comments from the Social Security Administration



**SOCIAL SECURITY**  
Office of the Commissioner

October 5, 2015

Mr. Daniel Bertoni  
Director, Education, Workforce and Income Security  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Bertoni:

Thank you for the opportunity to review the draft report, "DISABILITY INSURANCE: SSA Could Do More to Prevent Overpayments or Incorrect Waivers to Beneficiaries" (GAO-16-34). Please see our attached comments.

If you have any questions, please contact me at (410) 965-0520. Your staff may contact Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff, at (410) 965-0680.

Sincerely,

Frank Cristaudo  
Executive Counselor to the Commissioner

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

**COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT, "DISABILITY INSURANCE: SSA COULD DO MORE TO PREVENT OVERPAYMENTS OR INCORRECT WAIVERS TO BENEFICIARIES" (GAO-16-34)**

**General Comments**

We support all efforts to help us ensure we protect the integrity of the DI trust fund while also serving the most vulnerable individuals that the program was designed to help.

We strongly object to the statement in the report on page 1 that "[u]nrecovered overpayments may also have implications for the long-term solvency of the DI trust fund, which DI Trustees project will be exhausted in 2016." We are committed to reducing instances of improper payments in the programs we administer. Curbing improper payments is one objective in our current strategic goal to preserve the public's trust in our programs. That said, DI overpayments have virtually no impact on the long-term solvency of the DI trust fund. For instance, you state that SSA added about \$15.4 billion in debt for the 10-year period reviewed (from the end of fiscal year (FY) 2004 to the end of FY 2014). In a similar time span (calendar years 2005 through 2014); DI payments totaled over \$1.173 trillion. Consequently, for this 10-year period DI overpayment debt represented a very small percentage of total DI payments over a similar 10-year period.

Moreover, the factors relating to the cost of the DI program have long been understood. For instance, in the 2015 Trustees Report on the Old-Age, Survivor Insurance (OASI) and DI Trust Funds, the growth in cost between 1990 and 2012 are attributed to: "(1) the aging of the working population as the baby-boom generation moved from ages 25-44 in 1990, where disability prevalence is low, to ages 45-64 in 2010, where disability prevalence is much higher; (2) a substantial increase in the percentage of women insured for DI benefits as a result of increased and more consistent rates of employment; and (3) increased disability incidence rates for women to a level similar to those for men by 2010." Your report further notes that "[a]fter 2010, all of these factors stabilize, and therefore the DI cost rate also stabilizes." DI overpayments are not identified as a factor relating to the long-term cost of the DI program.

Accordingly, we urge you to reconsider including the statement that overpayments may have implications for the long-term solvency of the DI trust fund. Such a statement is not supported by your audit findings, and inappropriately conflates two important but very distinct issues.

The facts as they relate to DI work reporting are as follows.

In FY 2014, we provided \$141 billion to nearly 11 million DI beneficiaries and their family members. We take the stewardship of the DI program seriously, both to protect taxpayer funds and to prevent very large overpayments that discourage beneficiaries from working. Overpayments due to a DI beneficiary's work (or other factors) remain low in proportion to program outlays. Based on our stewardship reports, as of FY 2014, we estimate the 5-year average amount of overpayments due to work was less than one percent. In recent years, our focus was to adopt administrative processes that minimize overpayments by:

- Implementing a systematic process to identify cases likely to incur large work-related overpayments.
- Dedicating staff to target the oldest cases where a work report review is needed.
- Reorganizing instructions and improving communications to enhance our processing of work reports.

Our Inspector General found that our improvements led to much lower average overpayments and fewer months in which the beneficiary was overpaid.<sup>1</sup>

We actively support DI beneficiaries who are trying to return to work by administering work incentives specified in the *Social Security Act*. These incentives are designed to provide beneficiaries with continued benefits and medical coverage while working or pursuing an employment goal. Because our statutory incentives are complex, we invest substantial resources to define them to staff and the public.

- Each year we provide approximately \$20 million in grants to community organizations to help beneficiaries understand work incentives and start the process of returning to work. We recently awarded a new round of grants to these Work Incentive Planning and Assistance (WIPA) organizations. We currently have 83 WIPAs across the United States. We require each organization to achieve specific benchmarks to ensure productive services to beneficiaries who seek to return to work.
- We contracted with the Virginia Commonwealth University (VCU) to train WIPA staff to become Certified Work Incentive Counselors (CWICs). The contract includes a provision for VCU to develop and execute a four-part webinar designed to introduce our staff to the workings of the WIPAs, the ways in which WIPAs and our field offices can support each other, and best practices to encourage and support return to work efforts. This training is available to our Area Work Incentive Coordinators (AWICs), field office Work Incentive Liaisons (WILs), and other staff.
- Our work incentive rules are provided in a publication called the Red Book. The document is in high demand by individuals and organizations, such as State Vocational Rehabilitation agencies, helping SSDI beneficiaries return to work. In addition to the online versions, individuals and organizations requested nearly 90,000 print copies of the Red Book in FY 2015.
- In addition to the WIPAs, we also fund protection and advocacy organizations to help disabled beneficiaries address any legal or institutional barriers faced when returning to work. We provide approximately \$7 million in grants each year to these groups in every state and territory.

<sup>1</sup> See p.7 of [http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-01-12-12142\\_0.pdf](http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-01-12-12142_0.pdf).

We also support DI beneficiaries directly through employment support programs through our free Ticket to Work program, which provides employment support services from State Vocational Rehabilitation (VR) agencies or Employment Networks. We reimburse VR agencies for services if the beneficiary achieves certain earnings levels and make payments to Employment Networks if certain work outcomes are accomplished. These programs serve a large number of Americans and have good outcomes. Examples of those efforts are provided below.

- In a recent year, more than 400,000 disabled beneficiaries received services through these organizations.
- We tracked long-term outcomes of beneficiaries who began receiving services from VR agencies in 2006. Over a six-year period:
  - 77 percent had some work;
  - 16 percent had at least one month of benefits not paid due to work; and
  - benefits not paid due to work totaled \$268 million, but we only reimbursed VR agencies a total of \$52 million.
- We also tracked long-term outcomes of beneficiaries who began receiving services from Employment Networks in 2006. Over a six-year period:
  - 82 percent had some work;
  - 25 percent had at least one month of benefits not paid due to work; and
  - benefits not paid due to work totaled \$37 million, but we only paid our Employment Networks a total of \$8 million.

In summary, we found the long-term outcomes for beneficiaries served by VR agencies or Employment Networks are far more favorable than those experienced by the general DI or Supplemental Security Income (SSI) populations.

In addition, we conduct extensive outreach to make beneficiaries aware of our employment support programs. For example:

- We mail notices and “Tickets” to newly-awarded DI and SSI recipients informing them that they can receive free employment support services from State VR agencies or Employment Networks.
- We operate a very large call center specifically dedicated to outreach and explanation of our employment support programs. We supplement the call center with an extensive web and social media presence specifically on these programs.
- We highlight the employment support programs on important notices to the beneficiary population, such as the Cost of Living Adjustment notices.

Going forward, we are looking to improve administrative procedures, programs, and research to encourage work and minimize overpayments with our launch of a major research demonstration project to test whether employment support and other services can help individuals with health problems remain in the workforce rather than turning to our DI and SSI programs. We will begin this early intervention demonstration next year. We are piloting a test to develop more efficient ways to provide beneficiaries and organizations serving them with a Benefits Planning Query (BPQY). The BPQY contains key information, such as whether the beneficiary is in the Trial Work Period, necessary to start the discussion of work incentives and return to work.

Other initiatives include a quarterly earnings pilot within the Ticket to Work program to determine whether the use of quarterly earnings in work review processes would limit overpayments, assessing a proposal to allow beneficiaries to report work activity online, specifically through the *my Social Security* portal, testing whether direct phone outreach would encourage SSI recipients to sign up for wage reporting via phone and mobile applications, and pursuing changes that would allow staff to directly initiate or update a “Ticket” work report into our systems, which would greatly streamline the work reporting process for beneficiaries using the Ticket to Work program and minimize overpayments.

Below are our comments to the recommendations.

**Recommendation 1**

Provide additional information on the margins of error or confidence intervals, and clearly identify any limitations in its findings on overpayment information provided to Congress and the public.

**Response**

We agree. We will include a discussion about the limitations of deficiency data in future reports. However, we note that the characterization of two of our reports as “agency attempts to identify the extent of overpayments caused by errors in processing work reports” is misleading. We designed the reports to support statistically reliable measures of *overall* overpayment and underpayment accuracy for the Old-Age Survivors Insurance (OASI) and OASDI programs. Historically, the dollar magnitudes of these error deficiencies have been consistent over time.

**Recommendation 2**

To minimize the exploitation of vulnerabilities in the work reporting process SSA should take steps to help ensure that work information is entered directly into eWork, the system of record for work information and issue required receipts. Such steps could include:

- (a) Take steps to help ensure that work information is entered directly into eWork, the system of record for work information, and issue required receipts.
- (b) Establishing policies to monitor alerts to help ensure that work information for concurrent beneficiaries is reflected in SSI and DI systems, and take steps to monitor and make enhancements to systems or guidance, as needed.

**Response**

We agree. For part (a), we will develop DI instructions and reminder items covering information such as DI incentives and guidance to staff on handling DI work reports through eWork. In addition, we will evaluate the need for conducting DI refresher training. For part (b), we will consider this recommendation as part of our continuing efforts to improve our work reporting and tracking processes.

**Recommendation 3**

Assess the quality and accuracy of work reports and provide feedback to staff as needed. Such options could include similar reporting tools to those currently available for SSI recipients.

**Response**

We disagree. We accept a beneficiary's return to work allegation (work report), but do not verify the information at the point of contact. The outcome of a work continuing disability review (CDR) is not dependent on the accuracy of the work report, as we are required to fully develop and verify the work activity and apply appropriate work incentives. Our work CDR process is the mechanism for verifying work activity, not the work report.

**Recommendation 4**

Study the costs and benefits of options for developing automated reporting tools for DI beneficiaries.

**Response**

We agree. In FY 2016, we are exploring a proposal to allow DI beneficiaries to report work activity on our website *my Social Security*. Although this proposal would provide beneficiaries with an additional mechanism to self-report earnings, it would not automate our work CDR process. Wage reports would still require action by our staff to review and fully develop work, and apply our complex work incentive provisions.

**Recommendation 5**

To enhance beneficiary understanding of work reporting requirements, SSA should:

- (a) Clarify work reporting requirements provided to beneficiaries; and
- (b) Explore options for increasing the frequency of reporting reminders to DI beneficiaries, similar to those currently available to SSI recipients.

**Response**

We agree. For part (a), we will assess our method of communication and explore options to strengthen our message to DI beneficiaries on the importance of consistent wage reporting. However, the recommendation will not have a significant impact on reducing overpayments. The majority of our beneficiaries do not self-report a return to work, regardless of our extensive communication and reminders. The majority of overpayments resulting from work CDRs occur because beneficiaries do not self-report, and untimely receipt of earnings information from the Internal Revenue Service. For part (b), within our general comments we outline how we invest substantial resources to explain work reporting requirements and policy to agency staff and the public. We are currently testing whether direct phone outreach would encourage SSI recipients to sign up for wage reporting via phone and mobile applications. We will consider whether similar methods are appropriate for the DI program.

**Recommendation 6**

To improve compliance with waiver policies, SSA should develop a timetable for implementing updates to its Debt Management System to:

- (a) Develop a timetable for implementing updating updates to align system controls with SSA policy so that waivers over \$1,000 cannot be administratively waived; and
- (b) Ensure that evidence supporting waiver decisions is sufficiently maintained to allow for subsequent monitoring and oversight.

**Response**

We agree. For part (a), making these changes will be dependent upon the approval of future automation resources. For part (b), we continue to review policy and provide training to our staff to document waiver decisions. Our efforts include providing comprehensive training for overpayment and waiver processing, such as the training implemented in July 2015 – August 2015.

**Recommendation 7**

Take steps to regularly assess the accuracy of DI waiver decisions, particularly for administrative waivers and for some waivers under \$2,000, this could include periodically reviewing approved and denied DI waivers through its continuous quality initiative.

**Response**

We agree. We will take steps to assess DI waiver decisions for administrative waivers and waivers under \$2,000 through our quality initiatives. To address these issues, in the last six months we produced a comprehensive training series on overpayment and waiver policy and procedures. The eight-part training series covers the four areas (Overpayment Basics, Overpayment Request for Reconsideration and Waiver, Waiver Recovery, Personal Conferences). In addition, we built a policy cluster to serve as a “one-stop resource shop” of

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**Appendix I: Comments from the Social Security Administration**

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policy references including easy access to useful tools for technicians. We made several policy clarifications that were identified in the Continuous Quality report, addressing, among other things, the Administrative Tolerance Decision Tree to assist technicians with making appropriate low-dollar overpayment waiver decisions. In FY 2015, we revised a number of policy instructions. We will continue our efforts to ensure our staff makes quality overpayment and waiver determinations.

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# Appendix II: GAO Contacts and Staff Acknowledgments

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## GAO Contacts

Daniel Bertoni, (202) 512-7215 or [bertonid@gao.gov](mailto:bertonid@gao.gov)

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## Key Contributors

In addition to the contact mentioned above, the following staff members made significant contributions to this report: Michele Grgich, Assistant Director; Dana Hopings and Art Merriam, Analysts-in-Charge; James Bennett, Julie DeVault, Leslie Gordon, Philip McIntyre, Jean McSween, Kevin Metcalfe, Ruben Montes de Oca, Jonathon Oldmixon, James Rebbe, Philip Reiff, Almeta Spencer, Charlie Willson, and Jill Yost.

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# Appendix III: Accessible Data

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## Accessible Text and Data Tables

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### Accessible Text for Figure 1: Social Security Administration Procedures for Processing DI Beneficiary Work Reports

- 1) Disability Insurance beneficiary needs to report a work change
- 2) Contacts Social Security Administration (SSA) field office by mail, by fax, or by phone.
  - a) A 1-800 number is also available
- 3) Within 5 business days [Note A] SSA service rep, teleservice rep, or claims rep (CR) inputs work report into eWork, gives/sends receipt to beneficiary and decides if additional action is needed
- 4) Within 30 business days, CR or supervisor reviews work report
- 5) If no action is needed: Closed without further action
- 6) If issues are found: CR or supervisor takes one of three actions:
  - a) Work rerouted to another CR for review, and a reminder set for future follow-up
  - b) Work Continuing Disability Review (CDR) initiated
  - c) Closed without further action

Source: GAO analysis of SSA procedural guidance and interviews with SSA staff. | GAO-16-34

Note A: If a work report is prepared while the beneficiary waits in person or on the phone, SSA's Program Operations Manual System (POMS) requires that the beneficiary be given or mailed a receipt immediately.

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### Accessible Text for Figure 2: Social Security Administration Procedures for Processing DI Beneficiary Waiver Requests

- 1) Beneficiary receives notice of Disability Insurance (DI) overpayment in a letter that describes the process for requesting a waiver and options for handling repayment
- 2) Beneficiary requests a waiver of the overpayment, which temporarily halts overpayment collection
- 3) Beneficiary fills out a waiver request form explaining why he/she is not at fault for the overpayment and provides detailed income and expense information

- 4) Claims representative (CR) or service representative (SR) reviews request for 2 required elements: (1) beneficiary must be without fault in the overpayment, and (2) repayment would either defeat the purpose of the act or run counter to equity and good conscience [Note A]
  - a) If waiver is approved, overpayment collection terminated
  - b) If waiver is denied, beneficiary must repay overpayment
- 5) If waiver is denied and the beneficiary appeals, A second CR reviews waiver request and conducts personal conference with beneficiary
  - a) If approved, overpayment collection terminated
  - b) If denied, beneficiary must repay overpayment
- 6) If waiver is again denied and the beneficiary appeals, overpayment collection starts/resumes and an Administrative Law Judge reviews waiver request
  - a) If approved, overpayment collection terminated
  - b) If denied, beneficiary must repay overpayment
- 7) If waiver is again denied and the beneficiary appeals, Appeals Council reviews waiver request
  - a) If approved, overpayment collection terminated
  - b) If denied, beneficiary must repay overpayment
- 8) If waiver is again denied and the beneficiary appeals, action is filed in federal district court
  - a) If approved, overpayment collection terminated
  - b) If denied, beneficiary must repay overpayment

Source: GAO analysis of Social Security Administration procedural guidance. | GAO-16-34

Note A: SSA can administratively waive overpayments under \$1,000, without consideration of the second criterion, if there is no indication the beneficiary was at fault.

Note B: SSA stated that it cannot deny a waiver request until the beneficiary has the opportunity to have a personal conference by an impartial decision maker. If the beneficiary is offered but declines the personal conference or does not show up for his or her personal conference, the next level of appeal is a reconsideration.

**Data Table for Figure 3: Social Security Disability Insurance Overpayments: Total Dollar Amount and Percent Due to Earnings Exceeding Program Limits, Fiscal Years 2005 through 2014**

Fiscal years	Total dollars (in billions)	Percentage from non-work-related overpayments	Percentage from work-related overpayments
2005	1.71	34	66
2006	2.05	39	61
2007	1.75	41	59
2008	1.85	42	58
2009	1.96	45	55
2010	2.12	41	59
2011	2.53	37	63
2012	2.14	45	55
2013	1.76	48	52
2014	1.97	50	50 [Note A]

Source: Social Security Administration's Recovery of Overpayments, Accounting and Reporting (ROAR) system master file on May 11, 2015. | GAO-16-34

Note: Overpayment amounts are continuously updated in ROAR, which can lead to different amounts for the end of the fiscal year depending upon the date data are drawn from this system. For each year, these data differ from (were greater than) SSA's financial reports to Treasury, which are adjusted to align with accounting standards and exclude overpayments that do not meet SSA's definition of a legal overpayment.

Note A: In fiscal year 2014, work-related overpayments of about \$992 million exceeded non-work-related overpayments of about \$982 million.

**Data Table for Figure 4: Social Security Disability Insurance Waivers: Total Dollar Amount and Percent Due to Earnings Exceeding Program Limits, Fiscal Years 2005 through 2014**

Fiscal years	Total dollars (in millions)	Percentage from non-work-related waivers	Percentage from work-related waivers
2005	229	34	66
2006	286	33	67
2007	238	36	64
2008	242	40	60
2009	250	41	59
2010	255	45	55
2011	280	45	55
2012	256	45	55
2013	208	48	52
2014	181	49	51

Source: Social Security Administration's Recovery of Overpayments, Accounting and Reporting system master file on May 11, 2015. | GAO-16-34

Note: The waiver amount is continuously updated in ROAR, which can lead to different amounts for the end of the fiscal year depending upon the date data are drawn from this system.

## Agency Comments

### Social Security Administration

Page 1

#### Accessible Text for Appendix I: Comments from the Social Security Administration

SOCIAL SECURITY ADMINISTRATION  
BALTIMORE, MD 21235-0001

Office of the Commissioner

October 5, 2015

Mr. Daniel Bertoni  
Director, Education, Workforce and Income Security  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Dear Mr. Bertoni:

Thank you for the opportunity to review the draft report, "DISABILITY INSURANCE: SSA Could Do More to Prevent Overpayments or Incorrect Waivers to Beneficiaries" (GAO-16-34). Please see our attached comments.

If you have any questions, please contact me at (410) 965-0520. Your staff may contact Gary S. Hatcher, Senior Advisor for Records Management and Audit Liaison Staff, at (410) 965-0680.

Sincerely,  
Frank Cristaudo  
Executive Counselor to the Commissioner

Page 2

COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE (GAO) DRAFT REPORT, "DISABILITY INSURANCE: SSA COULD DO MORE TO PREVENT OVERPAYMENTS OR INCORRECT WAIVERS TO BENEFICIARIES" (GAO-16-34)

General Comments:

We support all efforts to help us ensure we protect the integrity of the DI trust fund while also serving the most vulnerable individuals that the program was designed to help.

We strongly object to the statement in the report on page I that "[u]nrecovered overpayments may also have implications for the long-term solvency of the DI trust fund, which DI Trustees project will be exhausted in 2016." We are committed to reducing instances of improper payments in the programs we administer. Curbing improper payments is one objective in our current strategic goal to preserve the public's trust in our programs. That said, DI overpayments have virtually no impact on the long-term solvency of the DI trust fund. For instance, you state that SSA added about \$15.4 billion in debt for the 10-year period reviewed (from the end of fiscal year (FY) 2004 to the end of FY 2014). In a similar time span (calendar years 2005 through 2014); DI payments totaled over \$1.173 trillion. Consequently, for this 10-year period DI overpayment debt represented a very small percentage of total DI payments over a similar 10-year period.

Moreover, the factors relating to the cost of the DI program have long been understood. For instance, in the 2015 Trustees Report on the Old-Age, Survivor Insurance (OASI) and DI Trust Funds, the growth in cost between 1990 and 2012 are attributed to: "(1) the aging of the working population as the baby-boom generation moved from ages 25-44 in 1990, where disability prevalence is low, to ages 45-64 in 2010, where disability prevalence is much higher; (2) a substantial increase in the percentage of women insured for DI benefits as a result of increased and more consistent rates of employment; and (3) increased disability incidence rates for women to a level similar to those for men by 2010." Your report further notes that "[a]fter 2010, all of these factors stabilize, and therefore the DI cost rate also stabilizes." DI overpayments are not identified as a factor relating to the long-term cost of the DI program.

Accordingly, we urge you to reconsider including the statement that overpayments may have implications for the long-term solvency of the DI trust fund. Such a statement is not supported by your audit findings, and inappropriately conflates two important but very distinct issues.

The facts as they relate to DI work reporting are as follows.

In FY 2014, we provided \$141 billion to nearly 11 million DI beneficiaries and their family members. We take the stewardship of the DI program

seriously, both to protect taxpayer funds and to prevent very large overpayments that discourage beneficiaries from working.

Overpayments due to a DI beneficiary's work (or other factors) remain low in proportion to program outlays. Based on our stewardship reports, as of FY 2014, we estimate the 5-year average amount of overpayments due to work was less than one percent. In recent years, our focus was to adopt administrative processes that minimize overpayments by:

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- Implementing a systematic process to identify cases likely to incur large work-related overpayments.
- Dedicating staff to target the oldest cases where a work report review is needed.
- Reorganizing instructions and improving communications to enhance our processing of work reports.

Our Inspector General found that our improvements led to much lower average overpayments and fewer months in which the beneficiary was overpaid [Note 1].

We actively support DI beneficiaries who are trying to return to work by administering work incentives specified in the *Social Security Act*. These incentives are designed to provide beneficiaries with continued benefits and medical coverage while working or pursuing an employment goal. Because our statutory incentives are complex, we invest substantial resources to define them to staff and the public.

- Each year we provide approximately \$20 million in grants to community organizations to help beneficiaries understand work incentives and start the process of returning to work. We recently awarded a new round of grants to these Work Incentive Planning and Assistance (WIPA) organizations. We currently have 83 WIPAs across the United States. We require each organization to achieve specific benchmarks to ensure productive services to beneficiaries who seek to return to work.
- We contracted with the Virginia Commonwealth University (VCU) to train WIPA staff to become Certified Work Incentive Counselors (CWICs). The contract includes a provision for VCU to develop and execute a four-part webinar designed to introduce our staff to the workings of the WIPAs, the ways in which WIPAs and our field offices can support each other, and best practices to encourage and support return to work efforts. This training is available to our Area Work Incentive Coordinators (AWICs), field office Work Incentive Liaisons (WILs), and other staff.

- Our work incentive rules are provided in a publication called the Red Book. The document is in high demand by individuals and organizations, such as State Vocational Rehabilitation agencies, helping SSDI beneficiaries return to work. In addition to the online versions, individuals and organizations requested nearly 90,000 print copies of the Red Book in FY 2015.
- In addition to the WIPAs, we also fund protection and advocacy organizations to help disabled beneficiaries address any legal or institutional barriers faced when returning to work. We provide approximately \$7 million in grants each year to these groups in every state and territory.

Note 1: See p.7 of [http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-01-12-12142\\_0.pdf](http://oig.ssa.gov/sites/default/files/audit/full/pdf/A-01-12-12142_0.pdf)

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We also support DI beneficiaries directly through employment support programs through our free Ticket to Work program, which provides employment support services from State Vocational Rehabilitation (VR) agencies or Employment Networks. We reimburse VR agencies for services if the beneficiary achieves certain earnings levels and make payments to Employment Networks if certain work outcomes are accomplished. These programs serve a large number of Americans and have good outcomes. Examples of those efforts are provided below.

- 1) In a recent year, more than 400,000 disabled beneficiaries received services through these organizations.
- 2) We tracked long-term outcomes of beneficiaries who began receiving services from VR agencies in 2006. Over a six-year period:
  - a) 77 percent had some work;
  - b) 16 percent had at least one month of benefits not paid due to work; and
  - c) benefits not paid due to work totaled \$268 million, but we only reimbursed VR agencies a total of \$52 million.
- 3) We also tracked long-term outcomes of beneficiaries who began receiving services from Employment Networks in 2006. Over a six-year period:
  - a) 82 percent had some work;
  - b) 25 percent had at least one month of benefits not paid due to work; and

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- c) benefits not paid due to work totaled \$37 million, but we only paid our Employment Networks a total of \$8 million.

In summary, we found the long-term outcomes for beneficiaries served by VR agencies or Employment Networks are far more favorable than those experienced by the general DI or Supplemental Security Income (SSI) populations.

In addition, we conduct extensive outreach to make beneficiaries aware of our employment support programs. For example:

- We mail notices and "Tickets" to newly-awarded DI and SSI recipients informing them that they can receive free employment support services from State VR agencies or Employment Networks.
- We operate a very large call center specifically dedicated to outreach and explanation of our employment support programs. We supplement the call center with an extensive web and social media presence specifically on these programs.
- We highlight the employment support programs on important notices to the beneficiary population, such as the Cost of Living Adjustment notices.

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Going forward, we are looking to improve administrative procedures, programs, and research to encourage work and minimize overpayments with our launch of a major research demonstration project to test whether employment support and other services can help individuals with health problems remain in the workforce rather than turning to our DI and SSI programs. We will begin this early intervention demonstration next year. We are piloting a test to develop more efficient ways to provide beneficiaries and organizations serving them with a Benefits Planning Query (BPQY). The BPQY contains key information, such as whether the beneficiary is in the Trial Work Period, necessary to start the discussion of work incentives and return to work.

Other initiatives include a quarterly earnings pilot within the Ticket to Work program to determine whether the use of quarterly earnings in work review processes would limit overpayments, assessing a proposal to allow beneficiaries to report work activity online, specifically through the my Social Security portal, testing whether direct phone outreach would encourage SSI recipients to sign up for wage reporting via phone and mobile applications, and pursuing changes that would allow staff to directly initiate or update a "Ticket" work report into our systems, which would greatly streamline the work reporting process for beneficiaries using the Ticket to Work program and minimize overpayments.

Below are our comments to the recommendations.

**Recommendation 1:** Provide additional information on the margins of error or confidence intervals, and clearly identify any limitations in its findings on overpayment information provided to Congress and the public.

**Response:** We agree. We will include a discussion about the limitations of deficiency data in future reports. However, we note that the characterization of two of our reports as "agency attempts to identify the extent of overpayments caused by errors in processing work reports" is misleading. We designed the reports to support statistically reliable measures of *overall* overpayment and underpayment accuracy for the Old-Age Survivors Insurance (OASI) and OASDI programs. Historically, the dollar magnitudes of these error deficiencies have been consistent over time.

**Recommendation 2:** To minimize the exploitation of vulnerabilities in the work reporting process SSA should take steps to help ensure that work information is entered directly into eWork, the system of record for work information and issue required receipts. Such steps could include:

1. Take steps to help ensure that work information is entered directly into eWork, the system of record for work information, and issue required receipts.
2. Establishing policies to monitor alerts to help ensure that work information for concurrent beneficiaries is reflected in SSI and DI systems, and take steps to monitor and make enhancements to systems or guidance, as needed.

**Response:** We agree. For part (a), we will develop DI instructions and reminder items covering information such as DI incentives and guidance to staff on handling DI work reports through eWork. In addition, we will evaluate the need for conducting DI refresher training. For part (b), we will consider this recommendation as part of our continuing efforts to improve our work reporting and tracking processes.

**Recommendation 3:** Assess the quality and accuracy of work reports and provide feedback to staff as needed. Such options could include similar reporting tools to those currently available for SSI recipients.

**Response:** We disagree. We accept a beneficiary's return to work allegation (work report), but do not verify the information at the point of contact. The outcome of a work continuing disability review (CDR) is not

dependent on the accuracy of the work report, as we are required to fully develop and verify the work activity and apply appropriate work incentives. Our work CDR process is the mechanism for verifying work activity, not the work report.

**Recommendation 4:** Study the costs and benefits of options for developing automated reporting tools for DI beneficiaries.

**Response:** We agree. In FY 2016, we are exploring a proposal to allow DI beneficiaries to report work activity on our website *my Social Security*. Although this proposal would provide beneficiaries with an additional mechanism to self-report earnings, it would not automate our work CDR process. Wage reports would still require action by our staff to review and fully develop work, and apply our complex work incentive provisions.

**Recommendation 5:** To enhance beneficiary understanding of work reporting requirements, SSA should:

1. Clarify work reporting requirements provided to beneficiaries; and
2. Explore options for increasing the frequency of reporting reminders to DI beneficiaries, similar to those currently available to SSI recipients.

**Response:** We agree. For part (a), we will assess our method of communication and explore options to strengthen our message to DI beneficiaries on the importance of consistent wage reporting. However, the recommendation will not have a significant impact on reducing overpayments. The majority of our beneficiaries do not self-report a return to work, regardless of our extensive communication and reminders. The majority of overpayments resulting from work CDRs occur because beneficiaries do not self-report, and untimely receipt of earnings information from the Internal Revenue Service. For part (b), within our general comments we outline how we invest substantial resources to explain work reporting requirements and policy to agency staff and the public. We are currently testing whether direct phone outreach would encourage SSI recipients to sign up for wage reporting via phone<sup>1</sup> and mobile applications. We will consider whether similar methods are appropriate for the DI program.

**Recommendation 6:** To improve compliance with waiver policies, SSA should develop a timetable for implementing updates to its Debt Management System to:

1. Develop a timetable for implementing updating updates to align system controls with SSA policy so that waivers over \$1,000 cannot be administratively waived; and
2. Ensure that evidence supporting waiver decisions is sufficiently maintained to allow for subsequent monitoring and oversight.

**Response:** We agree. For part (a), making these changes will be dependent upon the approval of future automation resources. For part (b), we continue to review policy and provide training to our staff to document waiver decisions. Our efforts include providing comprehensive training for overpayment and waiver processing, such as the training implemented in July 2015 – August 2015.

**Recommendation 7:** Take steps to regularly assess the accuracy of DI waiver decisions, particularly for administrative waivers and for some waivers under \$2,000, this could include periodically reviewing approved and denied DI waivers through its continuous quality initiative.

**Response:** We agree. We will take steps to assess DI waiver decisions for administrative waivers and waivers under \$2,000 through our quality initiatives. To address these issues, in the last six months we produced a comprehensive training series on overpayment and waiver policy and procedures. The eight-part training series covers the four areas (Overpayment Basics, Overpayment Request for Reconsideration and Waiver, Waiver Recovery, Personal Conferences). In addition, we built a policy cluster to serve as a "one-stop resource shop" of

policy references including easy access to useful tools for technicians. We made several policy clarifications that were identified in the Continuous Quality report, addressing, among other things, the Administrative Tolerance Decision Tree to assist technicians with making appropriate low-dollar overpayment waiver decisions. In FY 2015, we revised a number of policy instructions. We will continue our efforts to ensure our staff makes quality overpayment and waiver determinations.

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