

GAO

Testimony

Before the Subcommittees on Social Security and Oversight, Committee on Ways and Means, House of Representatives

For Release on Delivery
Expected at 2:00 p.m. EDT
Tuesday, June 14, 2011

DISABILITY INSURANCE

Preliminary Observations on SSA Efforts to Detect, Prevent, and Recover Overpayments

Statement of Daniel Bertoni, Director
Education, Workforce, Income and Security



G A O

Accountability * Integrity * Reliability

Highlights of [GAO-11-756T](#), a report to Subcommittee on Social Security and Oversight, Committees on Ways and Means, House of Representatives

Why GAO Did This Study

The Social Security Administration's (SSA) Disability Insurance (DI) program paid almost \$123 billion in benefits in fiscal year 2010 to more than 10 million workers and dependents. The program has grown rapidly in recent years and is poised to grow further as the baby boom generation ages. GAO examined (1) what is known about the extent SSA makes work-related overpayments to, and recovers overpayments from, DI beneficiaries, and (2) SSA's policies and procedures for work continuing disability reviews (work CDRs) and potential DI program vulnerabilities that may contribute to overpayments to beneficiaries who have returned to work. To answer these questions, GAO reviewed work CDR policies and procedures, interviewed SSA headquarters and processing center officials, and visited 4 of 8 processing centers. We reviewed a random nongeneralizable sample of 60 CDR case files across those 4 centers to ensure we had a wide range of cases for our review (15 cases from each). These 4 centers received almost 80 percent of all work CDRs from SSA's Internal Revenue Service enforcement data match in fiscal year 2009.

What GAO Recommends

GAO has ongoing work on this issue and has no recommendations at this time.

View [GAO-11-756T](#) or key components. For more information, contact Dan Bertoni at (202) 512-7215 or bertonid@gao.gov.

June 15, 2011

DISABILITY INSURANCE

Preliminary Observations on SSA Efforts To Detect, Prevent, and Recover Overpayments

What GAO Found

Disability Insurance overpayments detected by SSA increased from about \$860 million in fiscal year 2001 to about \$1.4 billion in fiscal year 2010, though the full extent of overpayments to beneficiaries who have returned to work and are no longer eligible is unknown. Overpayments may also go to beneficiaries who are no longer eligible due to medical improvement, but SSA estimates about 72 percent of all projected DI overpayments were work related during fiscal years 2005 through 2009. While the agency collected, or recovered, \$839 million in overpayments in fiscal year 2010, monies still owed by beneficiaries grew by \$225 million that same year, and total DI overpayment debt reached \$5.4 billion. SSA does not have agency-wide performance goals for debt collection, for example, the percent of outstanding debt collected annually. And while SSA does have a policy for full repayment within three years, 19 of the 60 continuing disability review (work CDR) cases we reviewed had repayment plans exceeding three years. SSA officials told us lengthy repayment plans are often the result of an individual's limited income, but SSA does not review or approve repayment plans which exceed agency policy. During the course of our review, we also found a limitation in SSA's Recovery of Overpayments, Accounting and Reporting (ROAR) system. Used to track overpayments and collections, ROAR does not reflect debt due SSA past year 2049 so the total balance due the program is unknown, and likely larger than the agency is reporting. SSA officials acknowledged this issue, but are unable to determine the extent of the problem at this time. They told us they have a work group which will recommend action to correct the problem. But until this issue is addressed, SSA officials told us the agency can only track and report on overpayments scheduled to be repaid through 2049. The amount owed after that year is unreflected in current totals even as it annually increases.

SSA has numerous policies and processes in place to perform work CDRs, though two key weaknesses have hindered SSA's ability to identify and review beneficiary earnings, which affect eligibility for DI benefits. First, SSA lacks timely earnings data on beneficiaries who return to work. In 49 of the 60 CDR cases we reviewed, there was no evidence in the file that the beneficiary reported returning to work, as required by the program. To identify these unreported earnings, SSA primarily relies on data matching with the Internal Revenue Service (IRS), then sends these matches to staff for a work CDR. However, the IRS data may be more than a year old when received by SSA, and SSA says it is not cost effective to gain access to and use other sources of earnings information, such as the National Directory of New Hires database. In addition, we found cases may wait up to 15 additional months before SSA staff begin work on the CDR. Second, SSA lacks formal, agency-wide performance goals for work CDRs. While it targets 270 days to develop a case, actual processing time taken ranged from 82 to 992 days (with a median of 396 days) in the 60 cases we reviewed, and overpayments which accrued as a result topped \$1 million total. SSA officials reported several initiatives to more effectively prioritize work CDR cases, for example, those with the largest potential overpayment amounts, but these efforts are in the early stages and we could not yet assess their effectiveness.

Chairmen, Ranking Members, and Members of the Subcommittees:

I am pleased to be here to present preliminary information on overpayments in the Social Security Administration's (SSA) Disability Insurance (DI) program. The DI program provides cash benefits to workers who are blind or disabled and contributed to the DI Trust Fund as workers. In fiscal year 2010, the DI program paid about \$123 billion in benefits to more than 10 million workers with disabilities and their dependents. The program has grown substantially in recent years and is poised to grow further as the baby-boom generation ages. Most importantly, the long-term solvency of the DI trust fund is currently jeopardized, and the fund is projected to be exhausted in 2018.

SSA guidelines allow DI beneficiaries to work and earn up to \$1,000 per month¹ for a limited period of time without affecting their benefits—a level of earnings called substantial gainful activity (SGA). After completing a 9-month “trial work period” beneficiaries who earn more than SGA are generally no longer entitled to benefits, and may be overpaid if SSA does not stop their benefits in a timely manner.² To verify an individual's ongoing eligibility for DI benefits, SSA conducts periodic reviews of a beneficiary's earnings status called work continuing disability reviews (work CDRs).³ These reviews typically involve SSA staff querying centralized agency data systems to identify earnings, sending forms to beneficiaries requesting they report earnings that may affect eligibility for DI benefits, contacting employers to verify earnings amounts, and assessing other factors such as employer subsidies and work-related expenses.

If SSA does not obtain timely and accurate earning information, or fails to act expeditiously to cease benefits to those no longer eligible, overpayments can accrue over several years and become very large—adding up to tens of thousands of dollars. Overpayments adversely affect program integrity, but can also create economic hardship for beneficiaries who have to repay them. In addition, the prospect of having to repay an overpayment may be a disincentive for some beneficiaries to return to

¹20 C.F.R. § 404.1571 (2011). The substantial gainful activity level was \$1,000 per month in 2010 for beneficiaries with disabilities and \$1640 per month for blind beneficiaries.

²20 C.F.R. § 404.1592 (2011).

³20 C.F.R. § 404.1589 (2011).

work, which runs counter to SSA's goal of helping beneficiaries become self-sufficient.⁴

My testimony summarizes ongoing work we are performing at the request of the Social Security subcommittee, and focuses on two main questions: (1) What is known about the extent to which SSA makes work-related overpayments to, and recovers overpayments from, DI beneficiaries? and (2) What are SSA's policies and procedures for performing enforcement work CDRs, including potential DI program vulnerabilities that may contribute to work-related overpayments? We reviewed DI overpayment debt collection and enforcement work CDR performance data, external research studies, and our prior reviews of the program. We randomly selected 15 work CDR cases from each of four processing centers we visited (Baltimore, Maryland; Chicago, Illinois; Kansas City, Missouri; and Queens, New York)—which were closed in fiscal year 2009 with an overpayment. Together, the selected processing centers received almost 80 percent of SSA's enforcement alerts referred for work CDRs in fiscal year 2009. We reviewed each of these 60 randomly selected cases to determine whether the case had been processed in accordance with SSA program guidelines for processing of work CDRs. We used random selection procedures to help ensure we drew a wide range of cases for our review – however the results cannot be generalized to the population of all work CDR cases due to our limited sample sizes. Finally, we conducted in-depth interviews with SSA management and line staff responsible for performing work CDRs, and overpayment debt collection, at headquarters and four of SSA's eight processing centers. We also assessed the reliability of all databases used in our review, primarily SSA's Disability Control File (DCF), Master Beneficiary Record (MBR), and Recovery of Overpayment, Accounting, Reporting (ROAR). While we identified a ROAR system limitation, we found the databases to be sufficiently reliable for the purposes of our review. We are conducting this performance audit from March 2010 to June 2011 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

⁴SSA administers the Ticket to Work program, to provide eligible DI beneficiaries with employment services, vocational rehabilitation services, or other support services to help them obtain and retain employment and reduce their dependence on benefits. See GAO, *Social Security Disability: Ticket to Work Program: Participation Has Increased, but Additional Oversight is Needed*. GAO-11-324, Washington, D.C.: May 2011.

objectives. We believe that the evidence obtained provides a reasonable basis for our findings based on our audit objectives.

Background

SSA conducts periodic reviews called work continuing disability reviews (work CDRs) to determine if beneficiaries are still eligible or are working above the SGA level.⁵ While work CDRs can be prompted by several events, most are generated by SSA's Continuing Disability Review Enforcement Operation (enforcement operation). This process involves periodic data matches between SSA's Master Beneficiary Record database and IRS earnings data. The enforcement operation generates alerts for cases that exceed specified earnings thresholds,⁶ which are then forwarded to 1 of 8 processing centers for additional development by SSA staff.⁷ In fiscal year 2010, the enforcement operation flagged approximately 2 million records of which more than 531,000 were sent to SSA's processing centers and field offices for review.

Work CDRs can also be triggered by other events. For example, SSA requires beneficiaries to undergo periodic medical examinations called medical continuing disability reviews, or medical CDRs, to assess whether they continue to have a physical disability.⁸ During such reviews, the disability examiner sometimes discovers evidence that a beneficiary is working, and forwards the case to an SSA field office or processing center

⁵20 C.F.R. § 404.1589 (2011). We use the term "work CDRs" to describe "full" work CDRs in which a case is fully developed and staff fills out specific forms to receive work credit for completing a work CDR, as well as instances in which SSA staff perform limited development of beneficiary earnings because they determine that a full work CDR is not necessary (an activity that SSA refers to as a "work CDR action"). SSA also conducts medical CDRs to periodically assess beneficiaries' continuing medical eligibility for benefits.

⁶SSA generally uses six times the monthly SGA amount, or \$6,000 in 2010, as the annual earnings cutoff: Beneficiaries whose annual earnings are \$6,000 or less are likely to keep their DI benefits because their monthly earnings are expected to be below program earning limits.

⁷About half of the cases are sent to the processing center in SSA's Office of Disability Operations (ODO) in Baltimore, Maryland. ODO is responsible for handling beneficiaries who are less than 54 years of age and live in the U.S.. The remaining cases are sent to one of the remaining 7 processing centers.

⁸20 C.F.R. § 404.1589 (2011). SSA contracts with state Disability Determination Services that are responsible for assessing whether an individual has a disability (a "medical" CDR). During the course of a medical CDR, examiners sometimes find evidence that a beneficiary may be working.

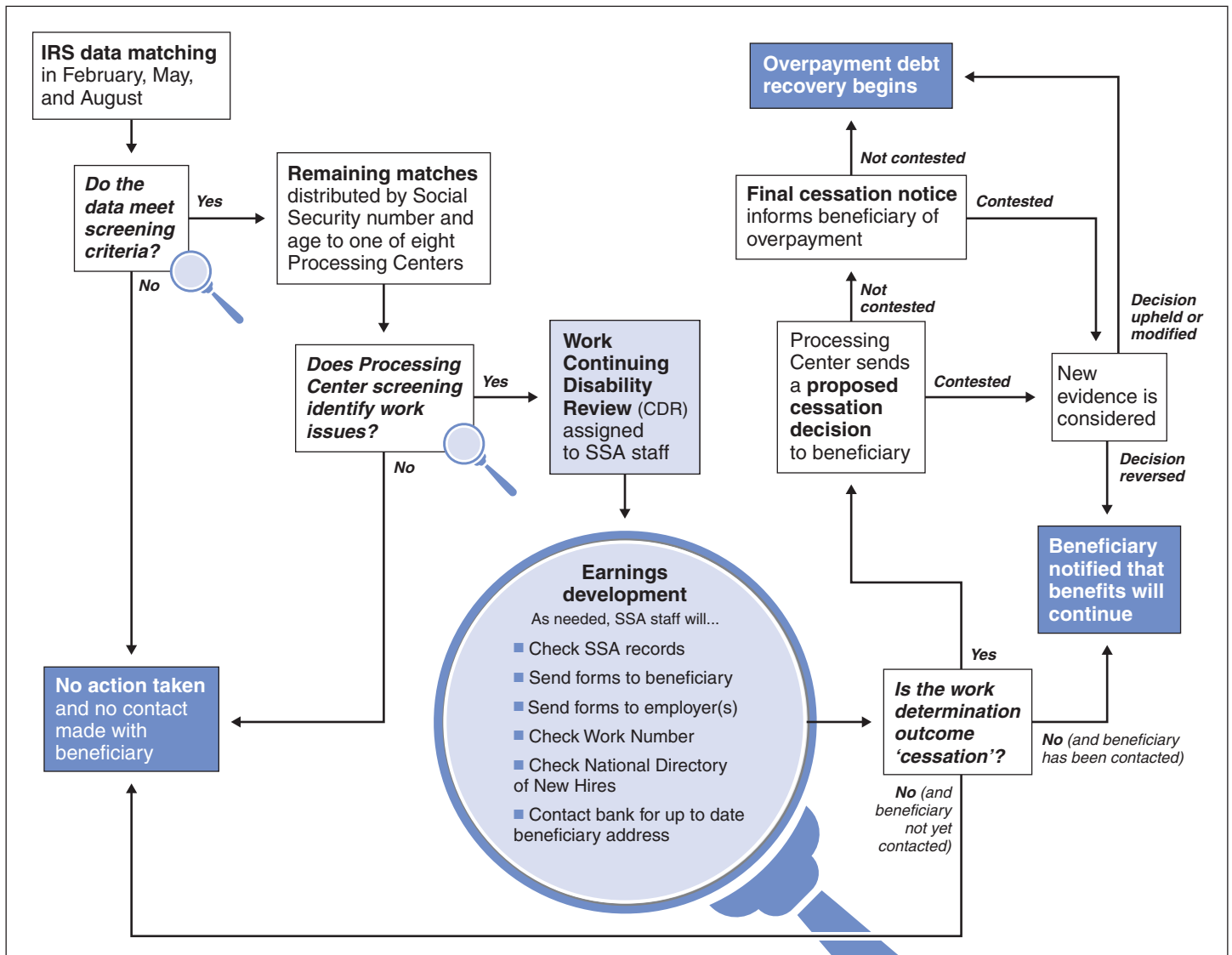
for earnings/work development. Third-party reports from state vocational rehabilitation agencies, federal agencies, or anonymous individuals may also trigger a work CDR. Finally, some DI beneficiaries report their earnings to SSA as set out in regulations⁹ by visiting an SSA field office or calling the agency's 800 number. For each case identified for development, SSA staff must review electronic case files in SSA's eWork¹⁰ and associated data systems, conduct interviews, and contact beneficiaries and their employers to verify earnings. After initial review, cases indicating a cessation of benefits are generally forwarded to a "disability processing specialist" for a determination of whether benefits should be discontinued and an overpayment assessed.¹¹ (See fig.1)

⁹20 C.F.R. § 404.1588 (2011). Under the regulation, beneficiaries are responsible for reporting certain events that may change their disability status.

¹⁰In 2004, SSA implemented the eWork system, which is the primary system for processing work CDR cases in headquarters and field locations.

¹¹"Earnings reviewers" in the processing centers are generally responsible for initial analysis of a beneficiary's earnings; however, only disability processing specialists have the authority to cease benefits. In SSA's field offices, the claims representatives are responsible for the duties performed by both the disability processing specialist and the earnings reviewer.

Figure 1: SSA's Enforcement Work CDR Process



Source: GAO analysis of SSA procedural guidance.

When a DI work-related overpayment is identified, the beneficiary is notified of the overpayment and may request reconsideration or waiver of

that overpayment.¹² SSA may grant a waiver request if the agency finds the beneficiary was not at fault and recovery or adjustment would either defeat the purpose of the program or be against equity and good conscience, as defined by SSA.¹³ If SSA denies a reconsideration or waiver request, full repayment is requested. If the beneficiary is also receiving DI or certain other SSA benefits, SSA may withhold partial payment of these benefits to recover the debt.¹⁴ However, if no SSA benefits are being received, or if the beneficiary asserts that the proposed withholding amount is too large, the agency generally requests repayment over 12 to 36 months. SSA policy requires a minimum monthly payment of \$10 dollars. SSA may also attempt to recover payments due from the individual's estate or subsequent survivor's benefits.¹⁵ (See fig. 2) The agency uses the Recovery of Overpayment, Accounting, and Reporting (ROAR) system to track beneficiary overpayments and collections.

¹²A beneficiary requests reconsideration when he or she disputes the occurrence of the overpayment itself 20 C.F.R. § 404.907 (2011); and requests a waiver when asserting he or she is both not responsible for the overpayment and incapable of repaying the debt, 20 C.F.R. § 404.506 (2011). A waiver permanently terminates collection of a debt and removes the debt from SSA's balance sheet.

¹³42 U.S.C. § 404(b).

¹⁴20 C.F.R. § 404.530 (2011).

¹⁵In addition, SSA reports overdue debts to consumer and credit reporting agencies. 20 C.F.R. §§ 422.305 and 422.306 (2011). This does not result directly in increased collections, but acts as a disincentive to individuals who decline to establish a repayment plan with SSA. The agency sends a notice indicating that a failure to establish a repayment plan will result in such referrals. A poor credit score can result in greater difficulty borrowing money on favorable terms and other negative consequences for the debtor.

Most DI Overpayments Are Work Related, and Their Recovery Can Take Decades

Medical and work-related overpayments in the DI program detected by SSA grew from about \$860 million in fiscal year 2001 to about \$1.4 billion in fiscal year 2010.¹⁶ Though the true extent of overpayments due to earnings is currently unknown, our review suggests that most of them are related to beneficiaries who work above SGA while receiving benefits. SSA officials estimate that from fiscal years 2005 through 2009, about 72 percent¹⁷ of all projected DI overpayments were work-related, or to beneficiaries who returned to work and were no longer eligible. SSA officials attribute increases in the percentage of overpayments that are work-related during this period to improved detection by its enforcement operation, and to changes in how the agency estimates the overpayment numbers. Agency officials also explained that the approximately half of the increase in overpayment dollars during the 10 year period may be due to the increase in DI program benefit levels.

Beyond SSA's estimates, we found that detected overpayments could be even larger than SSA's data reflect because some overpayments have been accidentally removed from SSA records due to manual processing errors.¹⁸ In our current review of 60 work CDR cases, we found two manual processing errors which resulted in overpayments totaling \$53,097 being removed from agency records. In one case, staff entered a code to correct an overpayment amount but instead deleted the overpayment entirely. As a result of our detection, SSA officials reentered the overpayment debts into the system and indicated they would proceed with debtor notification and recovery. Because the results of our case review are not generalizable, the incidence of such occurrences is currently unknown and thus the potential impact on total DI overpayments owed by ineligible beneficiaries is not clear. SSA officials said that they do not have a mechanism for detecting, or a process of supervisory review to catch, such errors.

¹⁶DI benefits paid by the program increased from about \$58 billion to nearly \$123 billion from fiscal year 2001 through fiscal year 2010. Most overpayments are detected in the fiscal year, or years after, they occur, so overpayment figures do not reflect overpayments made during the fiscal year cited. Reported overpayments do not include amounts removed from the record due to systems limitations, discussed later in this report.

¹⁷Percentage applies to projected overpayment dollars, not incidents of overpayments. The Office of Quality Performance reviews a sample of work CDR cases each year to project total DI overpayments for the year as well as the prevalence of types of errors resulting in those overpayments. GAO last reported on the estimated share of work, or SGA, related overpayments in 2004. *GAO Disability Insurance: SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments*. [GAO-04-929](#). Washington, D.C.: September 10, 2004.

¹⁸This could affect all overpayment records, not just work-related overpayment records.

A beneficiary's total DI overpayment debt can also increase because of multiple periods of employment. DI beneficiaries may reenter and leave the workforce based on their ability to perform SGA. As a result, a beneficiary could be subject to multiple periods of DI overpayments if he or she does not report increased earnings to SSA in a timely manner, as regulations instruct. In 49 of the 60 cases we randomly selected for review, there was no indication in the file that the individual had reported his or her earnings to SSA, and in 15 of the 60, SSA had detected two or more separate periods of earnings which resulted in overpayments. In one of these cases, the ineligible beneficiary owed SSA a total of \$69,976.

SSA Lacks Agency-Wide Performance Goals for DI Debt Recovery, and Overpayment Debt Continues to Mount

SSA does not currently have formal, agency-wide performance goals for debt recovery. Specifically, the agency does not have goals for the percentage of DI overpayment debt recovered within the 36 month timeframe as required by its own policy. Under the Government Performance Results Act of 1993 (GPRA), federal agencies are required to establish performance goals to define level of performance and establish performance indicators to be used in measuring relevant outputs, service levels, and outcomes for each program activity.¹⁹ SSA's policy manual (POMS) requires staff to ask for full repayment within 36 months, but the agency has not made this time frame a performance goal. SSA officials said they are currently working to develop debt recovery goals. In the meantime, without agency-wide performance goals for debt recovery, SSA cannot adequately measure its performance or fully leverage and target its resources to recover overpayments from ineligible beneficiaries and reduce the total owed to SSA. Despite a substantial increase in DI debt collections—\$340 million to \$839 million from fiscal year 2001 through fiscal year 2010—outstanding DI debt²⁰ grew from \$2.5 billion to \$5.4 billion during this time, including a \$225 million increase in fiscal year 2010.²¹ (see fig. 2) Most overpayment debt is collected by SSA through offsets, or the withholding of future DI benefits for which a beneficiary is still eligible. SSA attributes 77 percent of the approximately \$839 million of debt collected in fiscal year 2010 to withholding of DI benefits. The amount withheld from benefits to recoup previous overpayments may be

¹⁹Pub. L. No. 103-62, § 4(b), 107 Stat. 285, 287 (codified at 31 U.S.C. § 1115(a)).

²⁰Overpayment debt is comprised of existing debt carried forward from prior years as well as new debt.

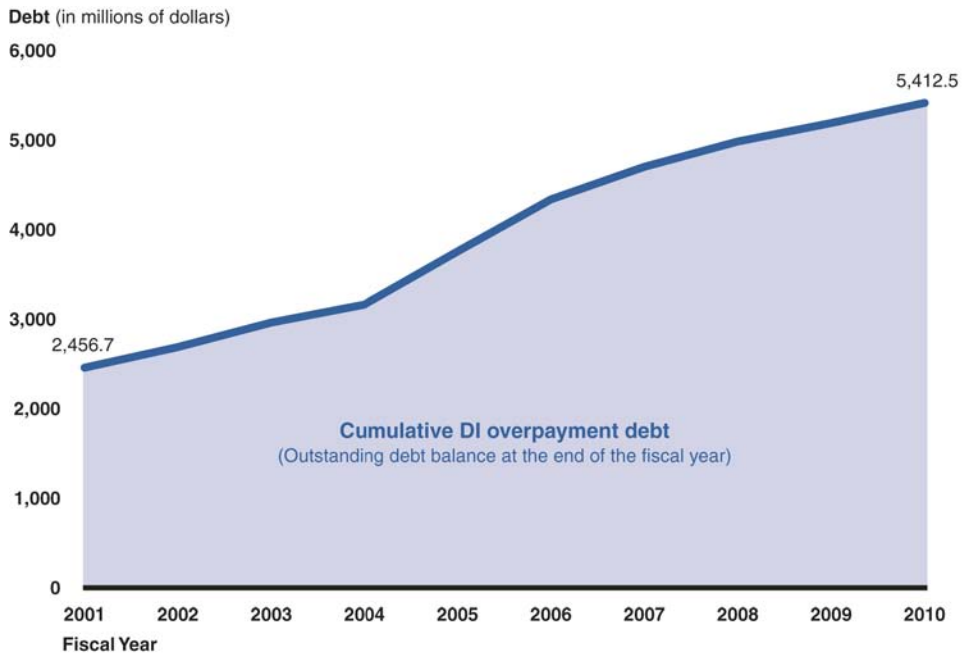
²¹The stated amounts for DI overpayment debt do not include interest or penalties.

negotiated with the debtor and based on a monthly amount the debtor can afford. The remainder of overpayment debt is collected in a variety of ways, including payments by the debtor and return of uncashed DI benefit checks; withholding of other SSA benefits, such as Supplemental Security Income (SSI);²² or through external collection including federal salary offset, administrative offset (other than against SSA benefits), tax refund offset, and administrative wage garnishment. SSA estimates that only about 11 percent of collections is through external means. Of the 60 cases, 5 were referred for external collection at the time of our review, for a total owed of \$79,950, but just \$2,478 had been recovered through these methods.²³

²²Withholding from old age and survivor's (retiree) benefits is limited to 10 percent of the monthly benefit and from SSI to the lesser of the amount of the benefit or 10 percent of the beneficiary's monthly income. 42 U.S.C. 1320b-17(b).

²³Case file data were pulled between September 2010 and November 2010, or for roughly the first quarter of fiscal year 2011. Most of these criteria were established for and by the Department of Treasury, which administers external collection, per the Debt Collection Improvement Act of 1996, Pub. L. No. 104-134. § 31001, 110 Stat. 1321, 1321-358 – 1321-380.

Figure 2: Cumulative DI Overpayment Debt, Fiscal Years 2001-2010



Source: SSA.

SSA Policy Does Not Require Supervisory Review of Repayment Plans

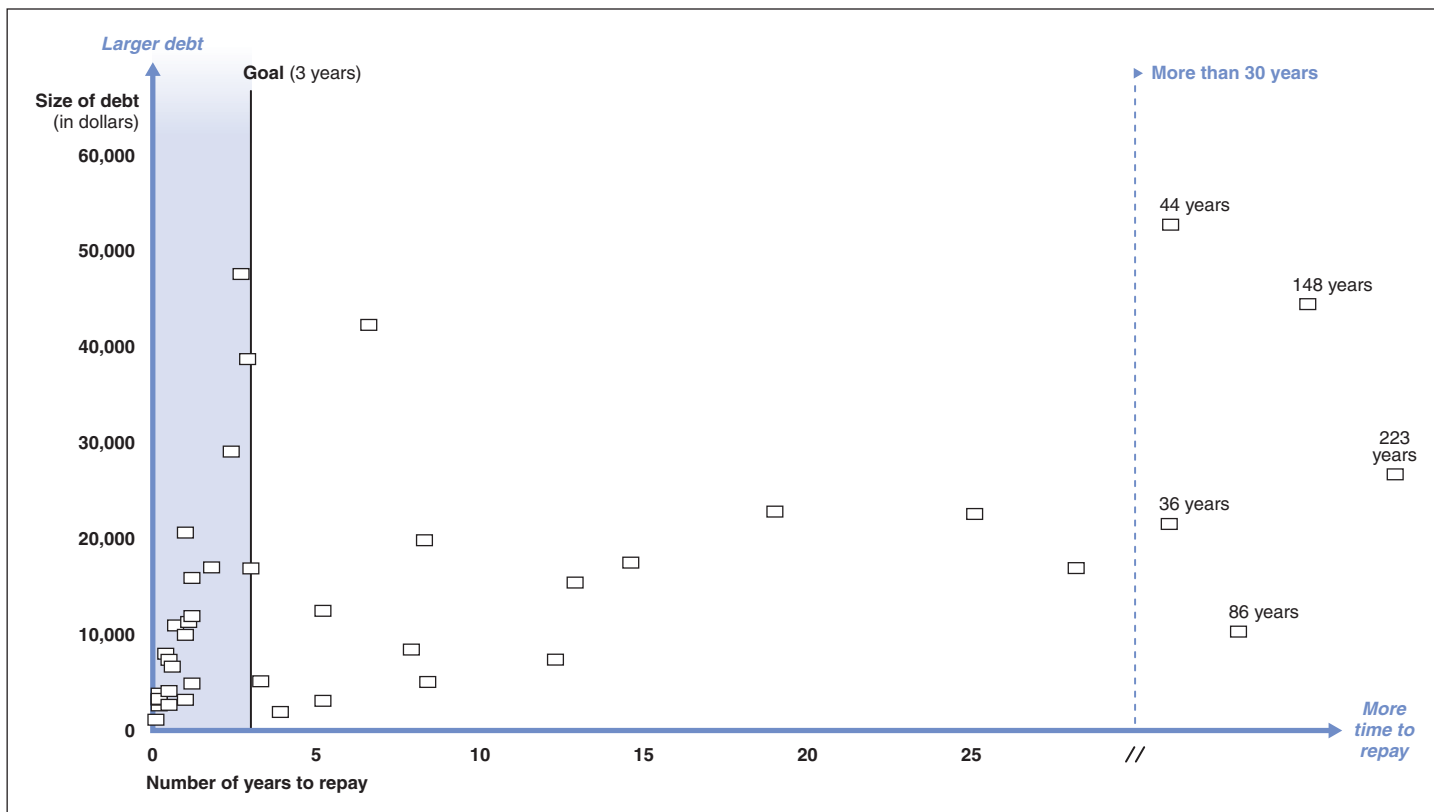
SSA does not require supervisory review of repayment plans prior to approval, including those in which repayment periods exceed the recommended 36 months. The agency reported that in fiscal year 2010, the median time to collect a DI overpayment debt in full was 48 months.²⁴ However, in our review of 60 cases, we found that SSA agreed to some initial repayment plans which will take many decades. We analyzed the initial payment plans established for individuals in these cases and found²⁵ 42 of the 60 had a payment plan in place, with a median repayment time for all 42 of approximately 34 months. While SSA's POMS require that staff should seek full repayment within 36 months, SSA officials reported that no supervisory approval is needed to exceed the 36 months. Of the 42 cases with a payment plan, 19 had initial plans requiring more than 36

²⁴Social Security Administration's Fiscal Year 2010 Performance and Accountability Report.

²⁵In the 60 cases we reviewed, we analyzed the number of years to repay the initial work-related overpayment debt, less any initial waivers or one-time payments, given the first recurring monthly payment established in the ROAR record.

months for payment in full and 7 of these required 20 years or more. Repayment time frames for the 42 cases ranged from less than 1 year to nearly 223 years for a case with a 60-year-old debtor who was paying \$10 a month on \$26,715 owed. (See fig. 3.) SSA officials told us they are often unable to increase monthly payment amounts and thus shorten repayment time frames because of a debtor's limited income. For instance, in a case we reviewed with an initial repayment plan of 148 years for \$44,465 in overpayments owed to SSA, SSA records show the individual earned less than \$100 in 2010.²⁶

Figure 3: Projected Years Needed for Payment in Full in 42 Cases with Initial Payment Plans, of 60 Cases Reviewed



Source: GAO analysis of SSA data.

²⁶DI does not have a cap on program benefit withholding. Instead, debt specialists set withholding amounts on a case by case basis.

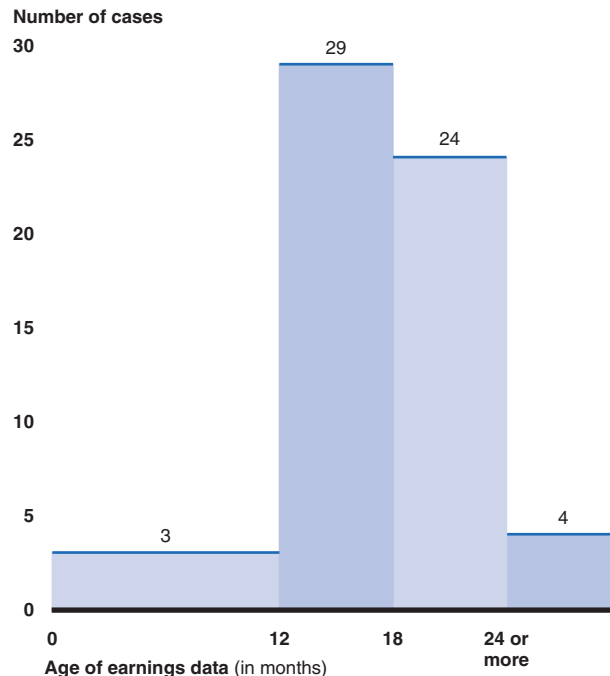
In the course of analyzing repayment plans, we found that the ROAR system cannot capture and track overpayment debt scheduled to be collected beyond the year 2049. As a result, the overpayment debt on the agency's books, and reported to the Department of the Treasury for the federal government's consolidated financial statements, is understated to some unknown extent. This ROAR system limitation stems from a program modification used to address the change of the century (Y2K) computer issue, and which extended the debt recovery date in ROAR from "1999" to "2049". Under existing SSA policies and procedures,²⁷ SSA staff manually remove from the ROAR system the portion of any debt that cannot be collected before the year 2050, and create a reminder in the system to recover that balance beginning in the year 2050. However, because this is a manual process, the intended recovery action could be potentially missed by staff. For example, 3 of the 60 cases we reviewed had a total of \$43,285 in overpayments removed from ROAR system records because collection of these payments will occur after the year 2049. Because the results of our case review are not generalizable, we could not determine how many additional disability overpayment cases detected by SSA fell into this category. Unless corrected, more overpayments will likely to continue to be underreported as the years progress. Since bringing this issue to their attention, SSA officials told us that the agency has begun to study this ROAR system limitation and an agency working group will recommend a course of action to correct the problem. SSA officials also reported several initiatives either planned or under way that could improve the recovery of overpayment debt, including charging interest and penalties, offsetting state payments, and eliminating the 10-year limit on making referrals of some debts for external collection.

²⁷Effective as of April, 2007.

Lack of Timely Earnings Data and Inconsistent Processing of Work CDRs Allow Overpayments to Accrue

SSA conducts periodic computer matches with wage data from the Internal Revenue Service to independently verify beneficiaries' earnings. However, earnings data provided through the IRS match are often more than a year old when SSA staff begin the work CDR prompted by the IRS data. Managers and staff at the four processing centers we visited cited this delay as a major obstacle to limiting the occurrence and size of overpayments. Our work shows that this has delayed processing of work CDRs. In the 60 cases we reviewed, the earnings data were already between 6 and 26 months old by the time they were available to SSA staff for performing work CDRs. (See fig. 4).²⁸

Figure 4: Age of Earnings Data Provided to SSA by IRS Earnings Alerts, of 60 Cases Reviewed



Source: GAO analysis of SSA data.

²⁸ Alerts for 24 of the 60 cases were delivered in cycles prior to 2008, most in 2007. Deliveries were delayed that year as well to July in the first cycle and September in the second cycle.

While DI beneficiaries are responsible for notifying SSA when they return to work as a condition of receiving benefits, they sometimes fail to make such notifications. Our review of 60 cases found no indication in 49 that the individual had reported earnings to SSA as instructed by regulation. In the other 11 cases, beneficiaries had reported returning to work, including the name of their employer and the amount of their wages, at some point. Yet 6 of these cases resulted in about \$78,000 in total overpayments, even though the beneficiary reported returning to work more than a year prior to initiation of the work CDR. In the remaining 5 cases, the beneficiary reported working only after the CDR was initiated.

Earnings data from IRS or from beneficiaries may age further once received by SSA because staff sometimes do not begin a work CDR immediately. From the date of the initial IRS alert to the date staff begin work on the CDR, it is categorized as a case “pending development”. In the 60 cases we reviewed, the median time cases were pending development was 205 days, or about 7 months, and ranged from 2 to 466 days, or more than 15 months.²⁹ For example, in the 466-day case, the IRS alert came to SSA in September 2007, when earnings (for 2006) were already 15 months old, then aged an additional 15 months until SSA staff began developing the work CDR. SSA officials could not explain what caused the delay in initiating development of this case or of several others we reviewed.

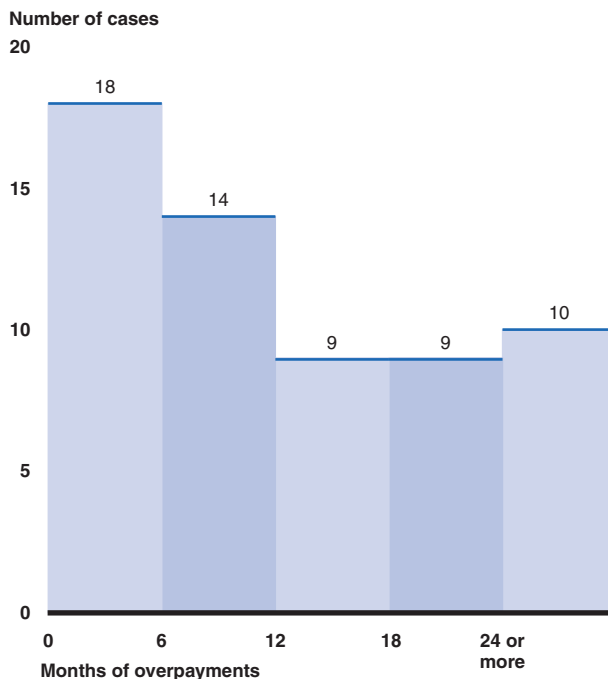
The delays that occur when staff do not act promptly to begin a work CDR, in combination with the initial delays in receiving beneficiary earnings data (either from the IRS enforcement operation, or beneficiaries’ failure to self-report earnings), result in multiple DI overpayments which may continue to accrue for extended periods of time before they are addressed. For example, in the 60 cases we reviewed, delays which occurred after IRS alerts were delivered to SSA resulted in individual beneficiaries being overpaid for up to 38 months.³⁰ Most received fewer than 12 months of overpayments, but 19 of the cases received 18 or more months of overpayments. According to an SSA official, staff shortages and the need to focus resources on competing workloads, such as initial DI claims and medical CDRs, are among the factors delaying development of

²⁹ Among the four processing centers we visited, the median time spans from alert to beginning work on the CDR was 157, 165, 199, and 214 days.

³⁰ This is illustrative of how long overpayments occurred even before the case was flagged for review by the enforcement operation.

work CDRs in SSA's processing centers once earnings information is received. (See fig. 5)

Figure 5: Number of Months Overpayments Accrued As CDR Development Pending, of 60 Cases Reviewed



Source: GAO analysis of SSA data.

In 2004, we recommended that SSA seek to use large scale batch matches with an alternative database of earnings, the National Directory of New Hires (NDNH), which was originally established to help states locate noncustodial parents for child support payments. The NDNH could provide SSA with quarterly wage information on existing employees within four months of the end of a calendar quarter.³¹ Several federal programs and agencies currently use the NDNH to verify program eligibility, detect and prevent potential fraud or abuse, and collect overpayments. SSA already has the authority to obtain NDNH earnings data on a case by case

³¹The NDNH contains quarterly state wage information which is more recent than the annual wage information that SSA obtains through its current IRS data match. SSA currently uses the NDNH to periodically monitor the earnings of SSI recipients.

basis,³² but as we previously reported³³ lacks the authority to match SSA and NDNH data on a large scale, or batch, basis. In 2009, SSA conducted a cost effectiveness study on use of the NDNH, but SSA officials told us the study showed such matches would generate a large number of alerts needing development that were not of high quality due to data reliability issues, or “false positives”. They also said the study found return on investment of only about \$1.40 in savings for each \$1 spent. SSA provided GAO with a limited overview of the study but we were unable to independently verify its accuracy or completeness because the information provided lacked sufficient detail. However, the agency’s experience with the NDNH in its SSI program suggests it may be more cost-effective than indicated by SSA’s analysis. The NDNH provides SSA staff with access to more comprehensive and timely employment and wage information, according to SSA officials, and the match has resulted in an estimated \$200 million in SSI overpayment preventions and recoveries per year. Moreover, even if the benefit-to-cost ratio of using the NDNH for identifying DI beneficiaries’ earnings is only 1.4 to 1.0, as reported by SSA, this still represents a 40 percent rate of return.

SSA Lacks Agency-Wide Performance Goals and a Consistent Approach for Processing Work CDRs

SSA does not have agency-wide performance goals or a consistent approach for processing work CDRs across its processing centers. Specifically, the agency lacks performance goals for the number of cases that are pending development or for number of days taken to process a work CDR. While SSA has established an agency-wide goal for processing a certain number of medical CDRs in a fiscal year, and includes this goal in the agency’s annual performance plan, SSA officials told us they have not established similar goals for work CDRs. Instead, they have established targets for the processing centers. For example, SSA has set targets for 95 percent of IRS alerts on earnings generated in 2008 or earlier to have a work CDR completed by September 24, 2010, and for processing centers to complete development of cases within 270 days.³⁴ SSA officials said work CDRs completed were generally not tracked prior to fiscal year 2010. We also found that while SSA’s policies establish steps for work CDR processing to be followed across all processing centers, processing times

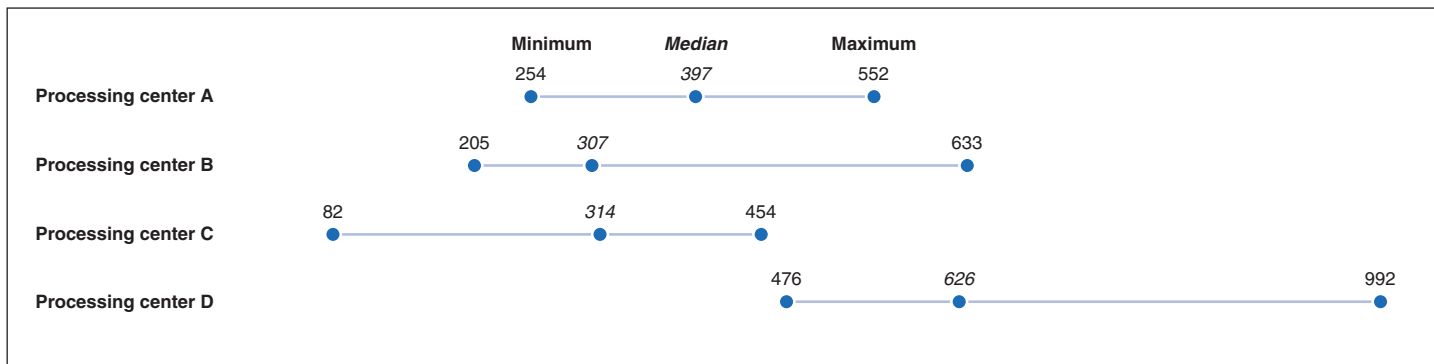
³² 42 U.S.C. § 653(j)(4).

³³ GAO *Disability Insurance: SSA Should Strengthen Its Efforts to Detect and Prevent Overpayments*, [GAO-04-929](#) (Washington, D.C.: September 10, 2004).

³⁴ SSA begins measuring this target from the time staff begin work on developing the case through the cessation was made.

across the four centers we visited varied widely once development was initiated. More specifically, we found that processing times for the 60 cases we reviewed ranged from 82 to 992 days (with a median of 396 days)³⁵ and resulted in combined overpayments totaling more than \$1 million. We also found processing times varied depending on processing center. For example, while the median processing time for the cases we reviewed from three centers ranged from 307 to 397 days, median processing time at the fourth center, which processes about 50 percent of all work CDRs, was 626 days. (See fig. 6)

Figure 6: Variance in total case processing time across four processing centers visited, for 60 cases reviewed



Source: GAO analysis of SSA data.

Within the last year, SSA has started work on some new initiatives to identify CDR enforcement alerts that pose a greater likelihood of resulting in large overpayments. These include prioritizing IRS alerts with reported earnings that are greater than or equal to 12 times the current SGA level in an effort to better target cases for work CDRs, as well as working to update and streamline existing procedures regarding the initiation, follow-up timeframes, and overall completion of work continuing disability reviews for processing center personnel. While these and other recent initiatives represent promising steps, it is too early to assess what impact they may have on the prevalence and size of DI overpayments.

³⁵ We measured processing time from the time the IRS alert was generated through the time the cessation decision was made.

Chairmen, Ranking Members, and Members of the Subcommittees, this concludes my prepared statement. I would be pleased to respond to any questions you or other Members of the subcommittees may have at this time.

Contact and Staff Acknowledgments

Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov

In addition to the contact mentioned above, Jeremy Cox, Assistant Director; Arthur T. Merriam Jr., Analyst-in-Charge; Susan Aschoff; James Bennett; David Forgosh; Monika Gomez; Angela Jacobs; Joel Marus; Sheila McCoy; Cady Panetta; Nyree Ryder Tee; Vanessa Taylor; Walter Vance; and Craig Winslow made key contributions to this statement.

This is a work of the U.S. government and is not subject to copyright protection in the United States. The published product may be reproduced and distributed in its entirety without further permission from GAO. However, because this work may contain copyrighted images or other material, permission from the copyright holder may be necessary if you wish to reproduce this material separately.

GAO's Mission

The Government Accountability Office, the audit, evaluation, and investigative arm of Congress, exists to support Congress in meeting its constitutional responsibilities and to help improve the performance and accountability of the federal government for the American people. GAO examines the use of public funds; evaluates federal programs and policies; and provides analyses, recommendations, and other assistance to help Congress make informed oversight, policy, and funding decisions. GAO's commitment to good government is reflected in its core values of accountability, integrity, and reliability.

Obtaining Copies of GAO Reports and Testimony

The fastest and easiest way to obtain copies of GAO documents at no cost is through GAO's Web site (www.gao.gov). Each weekday afternoon, GAO posts on its Web site newly released reports, testimony, and correspondence. To have GAO e-mail you a list of newly posted products, go to www.gao.gov and select "E-mail Updates."

Order by Phone

The price of each GAO publication reflects GAO's actual cost of production and distribution and depends on the number of pages in the publication and whether the publication is printed in color or black and white. Pricing and ordering information is posted on GAO's Web site, <http://www.gao.gov/ordering.htm>.

Place orders by calling (202) 512-6000, toll free (866) 801-7077, or TDD (202) 512-2537.

Orders may be paid for using American Express, Discover Card, MasterCard, Visa, check, or money order. Call for additional information.

To Report Fraud, Waste, and Abuse in Federal Programs

Contact:

Web site: www.gao.gov/fraudnet/fraudnet.htm

E-mail: fraudnet@gao.gov

Automated answering system: (800) 424-5454 or (202) 512-7470

Congressional Relations

Ralph Dawn, Managing Director, dawnr@gao.gov, (202) 512-4400
U.S. Government Accountability Office, 441 G Street NW, Room 7125
Washington, DC 20548

Public Affairs

Chuck Young, Managing Director, youngc1@gao.gov, (202) 512-4800
U.S. Government Accountability Office, 441 G Street NW, Room 7149
Washington, DC 20548

