
**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY ADMINISTRATION'S
MATCH OF DISABILITY INSURANCE
RECORDS WITH TEXAS WORKERS'
COMPENSATION PAYMENT DATA**

August 2005

A-06-05-15024

AUDIT REPORT



Mission

We improve SSA programs and operations and protect them against fraud, waste, and abuse by conducting independent and objective audits, evaluations, and investigations. We provide timely, useful, and reliable information and advice to Administration officials, the Congress, and the public.

Authority

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

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

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

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

Vision

By conducting independent and objective audits, investigations, and evaluations, we are agents of positive change striving for continuous improvement in the Social Security Administration's programs, operations, and management and in our own office.



SOCIAL SECURITY

MEMORANDUM

Date: August 5, 2005

Refer To:

To: The Commissioner

From: Inspector General

Subject: The Social Security Administration's Match of Disability Insurance Records with Texas Workers' Compensation Payment Data (A-06-05-15024)

OBJECTIVE

Our objective was to report on the status of the Social Security Administration's (SSA) pilot project matching Disability Insurance (DI) records with Texas workers' compensation (WC) payment data. Specifically, we evaluated procedures used to complete the matching process, summarized the impact of unreported and incorrectly reported Texas WC payments on DI benefits, and determined the status of collection and payment of over/underpayments identified during the matching process.

BACKGROUND

Individuals who qualify for DI benefits under Title II of the Social Security Act may also be eligible for cash benefits under State WC programs. DI benefits are reduced if total DI plus WC benefits received exceed applicable limits.¹ SSA informs claimants, at the time of application for benefits, of the requirement to report WC information to SSA and relies on the beneficiary to report this information.

Our December 1999 report, *Workers' Compensation Unreported by Social Security Beneficiaries*, noted SSA made inaccurate DI benefit payments because the beneficiaries did not report changes in WC status and benefits. We recommended that SSA negotiate agreements with State officials to periodically obtain State WC payment information. Such data would enable SSA to match actual WC payments with amounts recorded on SSA's records. On August 15, 2000, SSA and the Texas Workers' Compensation Commission signed an agreement for Texas WC payment information to be provided to SSA for a data match. By December 2001, Texas provided SSA with data files containing WC payment information from the period April 1991 through November 2001. Appendix A provides the scope and methodology of our review.

¹ SSA, Program Operations Manual System, DI 52001.001(A)(2), *Offset Provisions*.

RESULTS OF REVIEW

SSA's procedures for determining the cost-effectiveness of the data match and identifying unreported or incorrectly reported WC benefits were effective and provided assurance that inaccurate DI payments were detected and resolved. SSA completed its DI beneficiary data match with the Texas WC data in May 2003. To determine the cost-effectiveness of the pilot project, SSA used a sample of all records identified. Based on this sample, SSA projected that overpayments identified would exceed the cost of conducting the analysis by \$10.4 million. However, SSA did not have definitive plans to extend the matching agreement with Texas or pursue similar agreements with other States. Our analysis of actual data match results determined that unreported or incorrectly reported WC payments resulted in \$11.49 million in overpayments and \$1.80 million in underpayments. As of December 13, 2004, SSA had recovered \$4.11 million in overpayments and paid \$1.80 million to correct benefit payments to underpaid DI beneficiaries. If SSA conducted data matches with the nine States with the highest DI benefit payments and found results similar to those in Texas, SSA could identify an estimated \$87 million in additional overpayments.

DATA MATCH PROCEDURES

SSA's procedures for identifying unreported or incorrectly reported WC benefits in Texas were effective and provided assurance that inaccurate DI payments were detected and resolved. SSA matched Texas WC data with DI records to identify individuals who received both WC and DI benefit payments. SSA applied screening criteria to eliminate cases where SSA and Texas WC records agreed and where the period of WC payments preceded the period of DI entitlement. The match identified 6,280 records where SSA did not have previous WC information or the amount of WC was different than the amount reflected in SSA's records.

From this number, SSA eliminated duplicates and records identified through other WC initiatives. SSA forwarded 5,236 records to the Mid-America Program Service Center (MAMPSC) for review. MAMPSC focused its efforts primarily on those records where it did not previously have WC information and selected a portion of the other records for development. In total, MAMPSC reviewed 4,181 records, which consisted of 3,463 records with no previous WC information and 718 records where WC amounts reported differed from amounts in the Texas WC file. MAMPSC then identified records that would potentially impact DI benefits and verified the accuracy of the WC amounts by contacting the respective insurance companies responsible for paying the WC claims. Based on these contacts, MAMPSC personnel updated SSA records with the correct WC payment information. With this corrected information, SSA recalculated the DI benefits and compared these amounts to benefits actually paid to identify over/underpayments.

MAMPSC tracked the results of this process for 1,691 records, and SSA used these results to complete a cost-benefit analysis. Based on this analysis, SSA projected the

completed data match would identify \$13.3 million in overpayments, and it could expect to collect approximately \$11.3 million (85 percent). SSA estimated it cost \$925,000 to complete the match and recalculate the benefits.

IMPACT ON DISABILITY INSURANCE BENEFITS

To evaluate the overall impact of the pilot data match, we analyzed SSA's records to quantify the actual amount of over/underpayments. Our analysis disclosed that 2,054 beneficiaries were overpaid \$11.49 million in DI benefits—an average of \$5,594 per beneficiary. Another 307 beneficiaries were underpaid \$1.80 million in DI benefits—an average of \$5,863 per beneficiary. Had correct and timely WC information been available to SSA when it calculated benefits for these individuals, the Agency could have avoided \$11.49 million in improper payments. Also, SSA could have ensured that some DI beneficiaries had the use of an average of \$5,863 more in benefits to which they were entitled but were not paid timely.

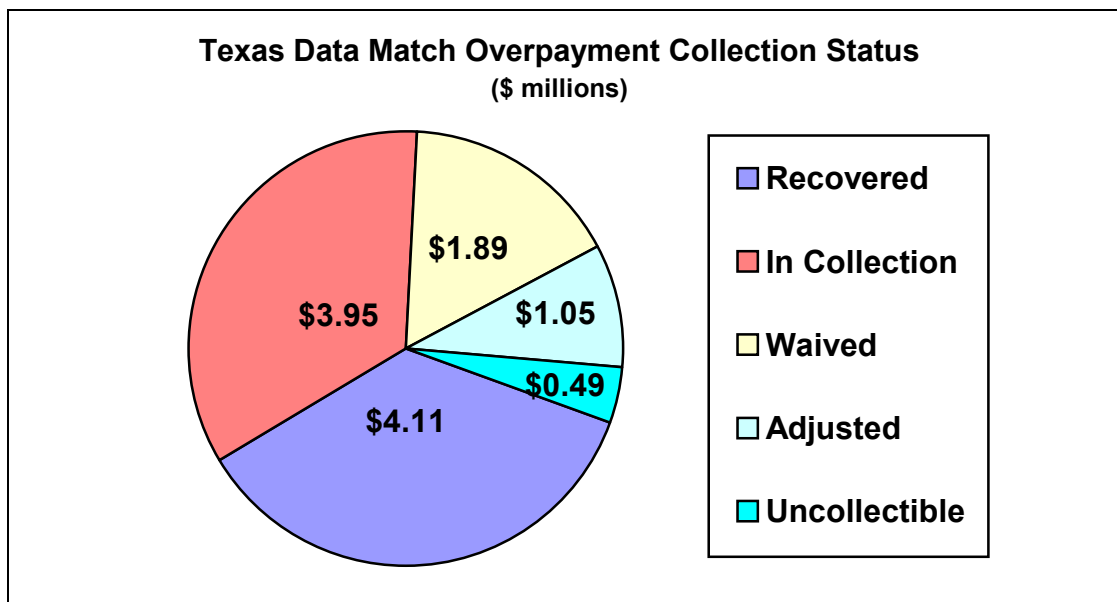
SSA could identify substantial overpayments and potentially reduce future improper payments if DI benefit data matches with WC information from other large States produced results similar to those found in Texas. From 1991 through 2001, SSA paid \$24.6 billion in DI benefits to Texas residents and Texas paid \$22.6 billion in WC to its residents. SSA's data match with Texas WC information determined that .047 percent of the DI benefits paid to Texas residents were overpayments because DI recipients did not disclose or accurately report WC information to SSA.

To quantify the potential overpayments for other large States, we identified the 10 largest States (Texas ranked fourth) in terms of resident's receipt of DI benefit payments during the 1991 through 2001 timeframe spanned by the Texas data and the corresponding WC benefit payments for each year. We then compared the amount of DI benefits paid to the amount of WC paid in these States and selected the lower amount paid each year. We totaled the lower amounts selected each year for each State and applied the .047 percent overpayment error rate identified from the data match with the Texas information. As illustrated in the following table, if SSA were to conduct data matches with the nine States with the highest DI benefit payments and results similar to those in Texas were found, SSA could identify an estimated \$87 million in additional overpayments.

State	Lesser of Annual Disability Insurance or Worker's Compensation Benefits 1991-2001 ² (\$ millions)	Texas Error Rate	Estimated Overpayments (\$ millions)
California	\$ 42,165	.04668%	\$19.7
New York	28,544	.04668%	\$13.3
Florida	24,685	.04668%	\$11.5
Pennsylvania	20,183	.04668%	\$ 9.4
Ohio	19,848	.04668%	\$ 9.3
Illinois	17,829	.04668%	\$ 8.3
Michigan	15,437	.04668%	\$ 7.2
Georgia	9,667	.04668%	\$ 4.5
North Carolina	7,536	.04668%	\$ 3.5
Total	\$185,894	.04668%	\$86.7

STATUS OF PAYMENTS AND COLLECTIONS

Of the \$11.49 million in overpayments identified as a result of the data match, SSA had collected \$4.11 million as of December 13, 2004. An additional \$3.95 million was in collection status while the remaining \$3.43 million was waived, adjusted, or written off as uncollectible. Further, SSA paid \$1.80 million to the underpaid beneficiaries. The following chart summarizes the status of these overpayments.



² DI payment data for Calendar Years 1991 through 2001 per *Social Security Bulletin Annual Statistical Supplement, 1992-2002, Table 5.J OASDI Current-Pay Benefits: Geographic Data*. WC payment data for Calendar Years 1991 and 1992 per *Social Security Bulletin Fall 1993*; for Calendar Year 1993 per *Social Security Bulletin Summer 1995*; for Calendar Years 1994 through 2001 per the National Academy of Social Insurance's *Workers' Compensation: Benefits, Coverage, and Costs* reports dated fall 1997, May 2001 and August 2004.

CONCLUSION AND RECOMMENDATIONS

SSA determined that it was cost-effective to use the WC data provided by Texas and match it with its records. The actual results identified 2,054 DI beneficiaries who received \$11.49 million in benefits to which they were not entitled, while another 307 beneficiaries received \$1.80 million less than entitled. We determined that SSA's process for conducting its match was effective and provided assurance that inaccurate DI payments to Texas residents were detected and resolved. However, at the time of our review, SSA had not extended its matching agreement with Texas, nor had the Agency aggressively pursued similar agreements with other States. If SSA were to conduct data matches with the nine States with the highest DI benefit payments and results similar to those in Texas were found, we estimate SSA could identify approximately \$87 million in additional overpayments.

We recommend that SSA:

1. Continue to work with Texas to periodically obtain updated WC data.
2. Pursue similar matching agreements with other States to obtain WC information.

AGENCY COMMENTS

SSA agreed with our recommendations. In responding to our report, SSA expressed its belief there are significant problems in extrapolating the Texas pilot results to the entire nation. See Appendix B for the text of SSA's comments.

OFFICE OF THE INSPECTOR GENERAL RESPONSE

Recognizing there are concerns with extrapolating the results from the Texas match to the entire nation, we took a conservative approach and used nine States in our estimate. The purpose of our estimate was to demonstrate that matching agreements with other States may be worthwhile for SSA to pursue as they may lead to the prevention of significant overpayments. We agree that this estimate is preliminary. Also, if any of the nine largest States do not have the data needed to perform matches with SSA, other States may have the necessary information and be worthwhile to contact regarding matching agreements with SSA.



Patrick P. O'Carroll, Jr.

Appendices

[APPENDIX A](#) – Scope and Methodology

[APPENDIX B](#) – Agency Comments

[APPENDIX C](#) – OIG Contacts and Staff Acknowledgments

Scope and Methodology

To accomplish our objective, we:

- Reviewed the Social Security Administration's (SSA) procedures for conducting the data match.
- Interviewed personnel in SSA's Office of Public Service and Operations Support; Office of Earning and Information Exchange; Office of Income Security Program; Division of Client, Enumeration, and Exchanges; Division of Title II Control & Queries; and Mid-America Program Service Center.
- Obtained the list of Social Security numbers from SSA for the Disability Insurance beneficiaries with unreported and incorrectly reported Texas workers' compensation payments.
- Reviewed Master Beneficiary Record; Recovery of Overpayments, Accounting and Reporting; and Payment History Update System records.
- Reviewed a statistical sample of 50 records to verify the accuracy of workers' compensation payments and the dates SSA used to recalculate and correct Disability Insurance benefits.
- Identified overpayments and underpayments, and summarized the results.

We did not validate the accuracy of the system generated workers' compensation offset calculations or review the justification for overpayment waivers, reductions, or amounts considered uncollectible. We did not test the general or application controls of the Master Beneficiary Record; Recovery of Overpayments, Accounting and Reporting; or Payment History Update System. Instead, we traced data to supporting documentation and found the data sufficiently reliable to meet our objectives. We performed our audit in Baltimore, Maryland; Kansas City, Missouri; and Dallas, Texas, from June 2004 through January 2005. The principle entity audited was the Mid-America Program Service Center under the Deputy Commissioner for Operations. We conducted our review in accordance with generally accepted government auditing standards.

Agency Comments



SOCIAL SECURITY

MEMORANDUM

Date: July 13, 2005

Refer To: S1J-3

To: Patrick P. O'Carroll, Jr.
Inspector General

From: Larry W. Dye /s/
Chief of Staff

Subject: Office of the Inspector General (OIG) Draft Report "The Social Security Administration's Match of Disability Insurance Records with Texas Workers' Compensation Payment Data"
A-06-05-15024 -- INFORMATION

We appreciate OIG's efforts in conducting this review. Our comments on the draft report content and recommendations are attached.

Let me know if we can be of further assistance. Staff inquiries may be directed to Candace Skurnik, Director, Audit Management and Liaison Staff on extension 54636.

Attachment:
SSA Response

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT "THE SOCIAL SECURITY ADMINISTRATION'S MATCH OF DISABILITY INSURANCE RECORDS WITH TEXAS WORKERS' COMPENSATION PAYMENT DATA" (A-06-05-15024)

Thank you for the opportunity to review and comment on the draft report. When the match of SSA's Disability Insurance (DI) records against Texas worker's compensation (WC) payment data was done, two types of alerts were generated: "Type A," where no offset had ever been imposed by SSA, and "Type B," where SSA had imposed an offset but our data did not match the compensation rates. "Type A" alerts produced the majority of the overpayments, while "Type B" alerts produced more underpayments than overpayments.

We conducted a cost-benefit analysis of the WC match and reported a benefit to cost ratio of 18.4:1 for "Type A" alerts and 1.8:1 for "Type B" alerts. Clearly, it was effective to work the "Type A" alerts; however, future "Type B" alerts would probably have a different outcome from those contained in the draft report as the procedures for periodic re-verification of WC payments have been changed. Effective May 2001, all cases now require a review for verification of WC payments. Previously about 30 percent of all cases alerted for a WC redetermination were automatically screened out by the system. This verification procedure will include cases that would have produced a "Type B" alert. Because of this change, we would favor restricting the scope of any future matches to only identifying cases where the receipt of the WC was never reported, a "Type A" alert.

During the pilot, SSA discovered that the software program used to extract data from the Texas WC match did not always provide reliable data. For example, the date of first payment (which could include several different rates of compensation over an extended period of time) was extracted rather than the initial compensation rate. Since the information received was not clearly identified, additional extensive development was required to determine the correct dates and amounts for the entire period through contact with the WC carrier and/or the beneficiary. Further, since this information was several years old, developing the information was difficult and often created multiple development of the same period of time. In short, prior to any further implementation of the pilot effort, analysis of State data must be completed to ensure that it is in a format that allows us to extract and convert the information to suit SSA's needs.

While we do not question tabulated results of the Texas pilot, we believe there are some significant problems with extrapolating those results to the entire nation as contained in the draft report. OIG identifies the nine States besides Texas with the largest numbers of residents that received DI benefits between 1991 and 2001. These numbers were then compared to the results of the Texas match to estimate an additional \$87 million in overpayments. We note that two of the States, Florida and Ohio, have some version of reverse offset provisions, so that the amounts of overpayment projected for those States would be expected to be less. Pennsylvania does not maintain a centralized database of WC payments (all payments are made directly by insurers and self-insured employers to injured workers); as such, there is no payment database that SSA could access.

OIG's calculation of estimated overpayments seems to presume that all of the identified States have the same requirement to report WC benefits as exists in Texas, and that there is the same degree of non-compliance that was found in that State. According to our tabulations, Texas has an unusually high percentage of their DI worker population in WC offset – 8.6 percent. None of the nine States in OIG's list has a percentage greater than 7.0, and some are much lower. OIG reported an administrative cost of about \$1 million for the Texas match. Therefore, we believe the report's estimate should be viewed as a preliminary estimate and may be overstated.

Our responses to the specific recommendations are provided below.

Recommendation 1

Continue to work with Texas to periodically obtain updated WC data.

Response

We agree. An ongoing working relationship with Texas should be maintained and periodic updates of the data will prove useful, but the expected benefit will diminish. The pilot covered a 10-year span of information and netted 2,361 payment errors after a very large universe of possible cases was cross-checked. With an abbreviated time period for the matching batch information (2003 to present), it would be expected that there would be a corresponding drop in the discovered payment errors.

Recommendation 2

Pursue similar matching agreements with other States to obtain WC information.

Response

We agree. The Workers Compensation Workgroup (WCW), a recently formed intercomponent effort, is addressing the replication of the Texas pilot in other States. The WCW is currently in the process of researching which States and/or outside entities (Centers for Medicare and Medicaid Services) can provide a centralized electronic database with applicable WC data elements. Items such as compatible systems requirements and the data elements needed by SSA and gathered from Texas are being assessed. Though it appears appropriate to focus efforts in the direction of those States identified as the ten highest DI payment States, legal idiosyncrasies (e.g., Florida is a reverse offset state) or systems limitations (e.g., California has no centralized WC data) will affect the final recommendations as to which States will be best suited for a Texas-type matching program.

[The Agency also provided technical comments which have been incorporated as appropriate.]

OIG Contacts and Staff Acknowledgments

OIG Contacts

Paul Davila, Director, (214) 767-6317

Ron Gunia, Audit Manager, (214) 767-6620

Acknowledgments

In addition to those named above:

Lela Cartwright, Auditor-in-Charge

Brennan Kraje, Statistician

For additional copies of this report, please visit our web site at www.ssa.gov/oig or contact the Office of the Inspector General's Public Affairs Specialist at (410) 965-3218. Refer to Common Identification Number A-06-05-15024.

DISTRIBUTION SCHEDULE

Commissioner of Social Security

Office of Management and Budget, Income Maintenance Branch

Chairman and Ranking Member, Committee on Ways and Means

Chief of Staff, Committee on Ways and Means

Chairman and Ranking Minority Member, Subcommittee on Social Security

Majority and Minority Staff Director, Subcommittee on Social Security

Chairman and Ranking Minority Member, Subcommittee on Human Resources

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

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

Chairman and Ranking Minority Member, Committee on Governmental Affairs

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

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

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

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

Chairman and Ranking Minority Member, Committee on Finance

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

Chairman and Ranking Minority Member, Senate Special Committee on Aging

Social Security Advisory Board

Overview of the Office of the Inspector General

The Office of the Inspector General (OIG) is comprised of our Office of Investigations (OI), Office of Audit (OA), Office of the Chief Counsel to the Inspector General (OCCIG), and Office of Executive Operations (OEO). To ensure compliance with policies and procedures, internal controls, and professional standards, we also have a comprehensive Professional Responsibility and Quality Assurance program.

Office of Audit

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

Office of Investigations

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

Office of the Chief Counsel to the Inspector General

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

Office of Executive Operations

OEO supports OIG by providing information resource management and systems security. OEO also coordinates OIG's budget, procurement, telecommunications, facilities, and human resources. In addition, OEO is the focal point for OIG's strategic planning function and the development and implementation of performance measures required by the Government Performance and Results Act of 1993.