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Disability Insurance: Preliminary Observations on Overpayments and Beneficiary Work Reporting

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Disability Insurance: Preliminary Observations on Overpayments and Beneficiary Work Reporting

Abstract

SSA's DI program is one of the nation's largest cash assistance programs. To ensure that beneficiaries remain eligible, SSA regulations require that beneficiaries promptly report their work activity—including starting a job or a change in wages—to the agency in a timely manner. If the beneficiary does not report changes or if SSA does not properly process reported work information, SSA may pay out benefits in excess of what is due, resulting in an overpayment. 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 the loss of taxpayer dollars when they cannot be repaid.

In this statement based on ongoing work, GAO discusses preliminary observations regarding: 1) what is known about the extent of work-related DI overpayments; and 2) factors affecting SSA's handling of work activity reported by beneficiaries. GAO reviewed relevant federal laws, policies, and procedures, and prior GAO, OIG and SSA reports; analyzed 10 years of SSA data on overpayments; interviewed staff at SSA headquarters and at field offices and teleservice centers for three regions, selected to represent a range of relevant DI workloads.

Keywords

Social Security, disability insurance, overpayments, work reporting

Comments

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Testimony

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

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DISABILITY INSURANCE

Preliminary Observations on Overpayments and Beneficiary Work Reporting

STATEMENT OF DANIEL BERTONI, DIRECTOR
EDUCATION WORKFORCE AND INCOME SECURITY

GAO Highlights

Highlights of [GAO-15-673T](#), a testimony before the Subcommittee on Social Security, Committee on Ways and Means, House of Representatives

Why GAO Did This Study

SSA's DI program is one of the nation's largest cash assistance programs. To ensure that beneficiaries remain eligible, SSA regulations require that beneficiaries promptly report their work activity—including starting a job or a change in wages—to the agency in a timely manner. If the beneficiary does not report changes or if SSA does not properly process reported work information, SSA may pay out benefits in excess of what is due, resulting in an overpayment. 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 the loss of taxpayer dollars when they cannot be repaid.

In this statement based on ongoing work, GAO discusses preliminary observations regarding: 1) what is known about the extent of work-related DI overpayments; and 2) factors affecting SSA's handling of work activity reported by beneficiaries. GAO reviewed relevant federal laws, policies, and procedures, and prior GAO, OIG and SSA reports; analyzed 10 years of SSA data on overpayments; interviewed staff at SSA headquarters and at field offices and teleservice centers for three regions, selected to represent a range of relevant DI workloads.

What GAO Recommends

As GAO finalizes its work for issuance later this year, it will consider making recommendations, as appropriate. GAO sought SSA's views on information included in this statement, but SSA was unable to provide its views in time to be incorporated.

View [GAO-15-673T](#). For more information, contact Daniel Bertoni at (202) 512-7215 or bertonid@gao.gov.

June 16, 2015

DISABILITY INSURANCE:

Preliminary Observations on Overpayments and Beneficiary Work Reporting

What GAO Found

Over the last decade, preliminary data provided by the Social Security Administration (SSA) indicate that more than half of the \$20 billion overpaid in the Disability Insurance (DI) program was associated with beneficiary work activity. Specifically, SSA's data indicate that between fiscal years 2005 and 2014, a total of \$11 billion in DI overpayments were paid to beneficiaries with work earnings that exceeded program limits, with an annual average of 96,000 DI beneficiaries incurring an average work-related overpayment of \$12,000. In its last 6 annual stewardship reports, SSA attributed some improper payments to its not taking appropriate action when notified of beneficiaries' work activity.

GAO identified a number of factors that affect handling of work activity reports by beneficiaries—factors that stem from weaknesses in SSA's policies and procedures that are inconsistent with federal internal control standards. Such weaknesses increase the risk that overpayments may occur even when DI beneficiaries diligently try to follow program rules and report work and earnings. These weaknesses include:

- **Vulnerabilities in processing work reports.** Based on interviews with SSA staff, GAO identified process vulnerabilities that could result in staff not: (1) issuing a receipt that proves the beneficiary's work was reported—one of two criteria a beneficiary must meet for SSA to waive an overpayment; and (2) initiating tracking of work activity, which would help prevent overpayments. Data are not available to determine the extent to which this might occur.
- **Limited guidance for processing and monitoring work reports.** While SSA has metrics to ensure that staff take action on work reports in a timely manner, it lacks procedures detailing steps staff must take in screening these reports and for ensuring that pending work reports are systematically reviewed and closed with appropriate action, consistent with federal internal control standards.
- **Not leveraging technology.** In contrast to SSA's Supplemental Security Income (SSI) program—a means-tested disability benefits program—the DI program lacks automated tools for beneficiaries to report work. SSI recipients can report wages through an automated telephone reporting system and a smartphone app. SSA cited complex DI program rules and an unclear return on investment for not pursuing these options. However, this conclusion was based on a limited evaluation of costs. Meanwhile, SSA's current manual approach is vulnerable to error and may discourage reporting by beneficiaries who experience long wait times when they try to report work in person at offices or by telephone.
- **Confusing work incentive rules.** The DI program has complex work incentive rules, such that SSA staff interviewed by GAO had varying interpretations of program rules and gave beneficiaries differing instructions on how often to report their work and earnings. In 2012, SSA developed a proposal to simplify program rules, but stated that it does not currently have the authority to test or implement such changes. SSA requested authority that would allow it to conduct such tests in its 2016 budget proposal.

Chairman Johnson, Ranking Member Becerra and Members of the Subcommittee:

I'm pleased to discuss the Social Security Administration's (SSA) efforts to address overpayments and reported work activity for the Disability Insurance (DI) program. The DI program is one of the nation's largest cash assistance programs. In fiscal year 2014, about 11 million individuals with disabilities and their dependents received approximately \$143 billion in DI benefits. During the same year, SSA reported detecting \$1.3 billion in new DI benefit overpayments,¹ 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, or result in the loss of taxpayer dollars when beneficiaries are unable to repay. Unrecovered overpayments may also have implications for the long-term solvency of the DI trust fund, which DI Trustees project will be exhausted in 2016. In addition, researchers and others have noted that overpayments may also create a disincentive to beneficiaries who might otherwise wish to work.²

My statement today provides preliminary observations from our ongoing review for this subcommittee and discusses (1) what is known about the extent of work-related DI overpayments; and (2) factors affecting the handling of work activity reported by beneficiaries. To examine these issues, we reviewed 10 years of SSA data on overpayment debt identified, collected, or written off, which includes waivers and overpayments for which collection activities have been terminated. We

¹ SSA provided GAO summary data on new debt detected each fiscal year for fiscal years 2005 through 2014. SSA cites the source of this data as the fourth quarter report of the Treasury Report on Receivables for each fiscal year.

² For example, *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.

reviewed relevant federal laws and regulations. In addition, we identified agency policies and procedures for processing work reports and assessed these against federal internal control standards.³ 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 headquarters and at several offices in three regions, selected to reflect a range of workloads, and spoke with a national disability rights network representing groups that assist disability beneficiaries. Findings presented here are preliminary, and we will issue a final report later this year. GAO sought SSA's views on information included in this statement, but SSA was unable to provide its views in time to be incorporated.

We are conducting our work 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 will provide a reasonable basis for our findings and conclusions based on our audit objectives.

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 one year or to result in death and (2) prevents the individual from engaging in substantial gainful activity (SGA).⁴ 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. Spouses and children of workers may also receive benefits. 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. In November

³ Standards for Internal Control in the Federal Government, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

⁴ The SGA monthly earnings limit in 2015 is \$1,090 (\$1,820 for blind beneficiaries).

2014, the program's average monthly benefit for disabled workers was about \$1,146.

Historically, very few DI beneficiaries have left the program to return to work. To encourage work, the DI program offers various work incentives to reduce the risk a beneficiary faces in trading guaranteed monthly income and subsidized health coverage for the uncertainties of employment—including a trial work period, and an extended period of eligibility for DI benefits. These incentives 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. Each month in which earnings are more than \$780 is counted as a month of the trial work period. When the beneficiary has accumulated 9 such months (not necessarily consecutive) within a period of 60 consecutive months, the trial work period is completed. The extended period of eligibility begins the month after the trial work period ends, 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 fall below the SGA monthly earnings limit.

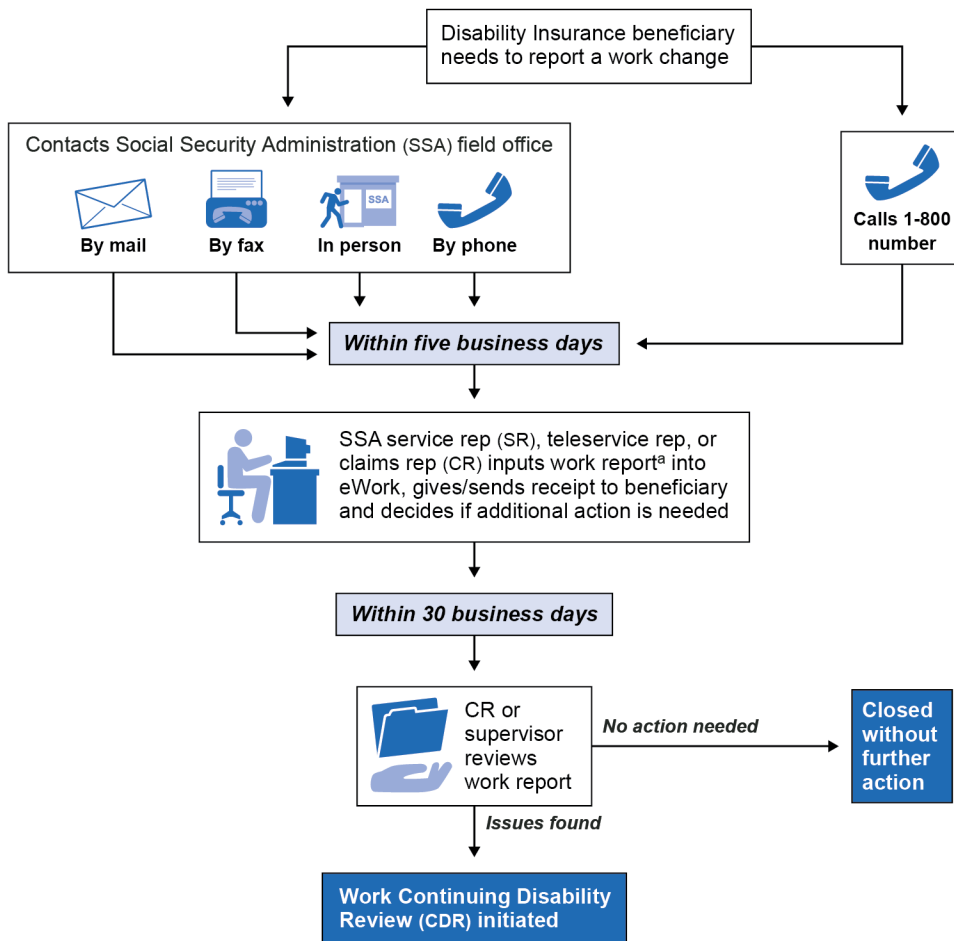
SSA regulations require all DI beneficiaries to promptly notify SSA when: their condition improves, they return to work, or they increase the amount they work or their earnings.⁵ Program guidance directs DI beneficiaries to report to SSA right away if work starts or stops; if duties, hours or pay change; or they stop paying for items or services needed for work due to a disability. Beneficiaries may report work by fax, mail, phone, or in person at an SSA field office. 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. After receiving information about work activity or a pay stub from a beneficiary, SSA staff have five days to input the information into the system—which creates a pending work report or pay stub report—and hand or mail a receipt to the beneficiary.⁶ Staff then have an additional 30 days to review the pending work report to determine if an additional

⁵ 20 C.F.R. § 404.1588(a).

⁶ SSA guidance 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 dropped off in 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.

action, such as a work continuing disability review (CDR),⁷ is needed to assess the beneficiary's continued eligibility for DI benefits. See figure 1. SSA processes over 100,000 work reports or pay stubs annually.

Figure 1: SSA's Procedures for Processing DI Beneficiary Work Reports



Source: GAO analysis of SSA procedural guidance. | GAO-15-673T

⁷ 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.

^a SSA staff also input pay stub information into eWork within 5 days, but the resulting pay stub reports are not subject to the 30-day time frame that applies to work reports.

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.⁸ 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.⁹

SSA's DI cumulative overpayment debt has almost doubled over the last decade, growing 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.^{10,11}

Cumulative overpayment debt is comprised of existing debt carried forward from prior years, new debt, reestablished debts (debts reactivated for collection due to re-entitlement or another event) and adjustments,

⁸ A beneficiary requests reconsideration when he or she disputes the occurrence of the overpayment itself, 20 C.F.R. § 404.907, and requests a waiver when asserting he or she is both not at fault for the overpayment and incapable of repaying the debt, 20 C.F.R. § 404.506. A waiver permanently terminates collection of a debt and removes the debt from SSA's balance sheet.

⁹ 20 C.F.R. § 404.509.

¹⁰ GAO previously reported 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. 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).

¹¹ SSA provided summary data on 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 this data as the fourth quarter report of the Treasury Report on Receivables for each fiscal year.

minus debts that are collected or written off by SSA.¹² Cumulative DI overpayment debt has continued to grow because in nine of the last ten years the debt added exceeded the total debt collected and written off. Specifically, over the 10 years reviewed, SSA added about \$15.4 billion in debt,¹³ while collecting and writing-off \$12.3 billion.¹⁴

Most DI Overpayment Amounts Are Associated with Work-Related Activity That Exceeds Program Limits

According to preliminary 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 billion) was a result of beneficiaries' work-related earnings exceeding program limits.¹⁵ According to these data, each fiscal year an average of about 96,000 DI beneficiaries (or 28 percent of all beneficiaries overpaid each year) received excess benefits totaling \$1.1 billion because their work activity exceeded program limits. The average work-related overpayment per beneficiary was almost \$12,000 during this time period, ranging from \$10,456 in fiscal year 2014 to \$14,208 in fiscal year 2011. We are continuing to assess the reliability of these data as part of our ongoing work.

¹² Write-offs include waivers and terminated collections. Waivers represent money the agency will never recover because they permanently remove overpayments 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, but they are available for future collection if the debtor becomes re-entitled to benefits. 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.

¹³ 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.

¹⁴ During this period, SSA collected \$7.8 billion and wrote off \$4.5 billion.

¹⁵ These preliminary data on overpayments during fiscal years 2005 through 2014 were extracted from SSA's Recovery of Overpayments, Accounting and Reporting system (ROAR) master file on May 11, 2015, and do not match information on new debt found in the fourth quarter Treasury Report on Receivables for those years which contain data as of the end of each fiscal year. SSA attributes the difference to the fact that the ROAR master file is continuously updated, including debt established in prior years. GAO will continue to review the reliability of the ROAR data and include the results in our final report expected to be issued later this year.

SSA's annual stewardship reviews provide limited insight into the causes of overpayments. Stewardship reviews are based on a sample of cases, and are used by the agency to report on the accuracy of benefit payments.¹⁶ In its stewardship reports, SSA uses the term deficiency dollars to quantify the effect of each individual deficiency in a case which could cause an improper payment.¹⁷ In its last six stewardship reports, SSA reported that deficiency dollars related to beneficiaries' incomes being above DI program limits were consistently a leading cause of improper overpayments in the DI program.¹⁸ SSA also attributed some of these deficiencies to not taking appropriate or timely action to adjust payments when it was notified of beneficiaries' work activity. However, GAO has not yet fully evaluated SSA's methodology for conducting these reviews.

Process Vulnerabilities and Complex Program Rules May Pose Challenges to Correctly Handling Work Reports

¹⁶ Due to small sample sizes, SSA reports its findings on deficiencies in five year increments. Its 2014 report includes results for fiscal years 2010 through 2014 while its 2013 report includes 2009 through 2013 results.

¹⁷ An improper payment is any payment that should not have been made or that was made in an incorrect amount under statutory, contractual, administrative, or other legally applicable guidance. According to SSA, certain overpayments are unavoidable and not improper if the payment is required by statute, regulations, or court order. SSA refers to each error in a case which causes an improper payment as a deficiency.

¹⁸ Deficiency dollars track the individual effect of each separate deficiency. Because SSA may identify more than one error causing the same improper payment in some cases it reviews, deficiency dollars can be greater than the total overpayment for each case.

Vulnerabilities in Processing DI Work Reports

Based on our discussions with SSA staff in field offices and teleservice centers, we identified a number of situations where beneficiaries report work or earnings, but staff may not enter information into the system, which is inconsistent with federal internal control standards,¹⁹ or may not provide a receipt, as mandated by law.²⁰ Whether DI beneficiaries report work information in person or by fax, mail, or telephone to SSA field offices or the agency's 800 teleservice line, in accordance with procedures, staff must manually enter the information into the system to initiate tracking and issue a receipt. Specifically, SSA representatives have five days to manually enter the information into the eWork²¹ system, which also generates a receipt to be mailed or given to the beneficiary. Issuing a receipt is required by law and valuable to the beneficiary for two reasons: (1) the beneficiary can review the receipt to ensure that the information is correct; and (2) a beneficiary who later receives an overpayment can produce work report receipts to prove that he/she properly reported work activity.²² This system also tracks pending work reports to ensure completion within 30 days. Tracking is critical for ensuring SSA promptly processes the work report and takes the actions needed to adjust a beneficiary's benefits and minimize the chance of overpayments.

However, in our work at several locations, SSA staff told us that if the eWork system is unavailable, or if the representative is busy, he or she may not enter the information and issue a receipt to the beneficiary. In addition, at one location, we learned that, until recently, SSA teleservice staff were using an alternate approach for sending work reports to the

¹⁹ In accordance with federal internal control standards, agencies should ensure that all transactions are recorded promptly and accurately to help management control operations and make decisions. Standards for Internal Control in the Federal Government, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999).

²⁰ As noted earlier, 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.

²¹ In 2004, SSA implemented the eWork system, which is the primary system for processing work CDR cases in headquarters and field locations.

²² Being able to demonstrate that a beneficiary is "without fault" for an overpayment is the first criterion that must be met when SSA decides whether an overpayment can be waived and work report receipts can provide verification that the beneficiary has properly fulfilled the obligation to report.

field office for manual entry and processing,²³ instead of directly entering the information into the eWork system themselves. Work reports handled this way lack the controls in eWork; for example, they are not automatically tracked against the 30-day goal for work report completion. As such, they can be more easily missed or overlooked, and could be deleted or marked as completed without action being taken. Finally, claims representatives in the field office may also bypass the work report process entirely and initiate a work continuing disability review (CDR) instead. Some SSA claims representatives we interviewed told us that they skip the work report step and do a CDR instead because it is more efficient, but this means that the beneficiary does not receive a receipt.

Stakeholder groups we interviewed have also observed problems with receipts, but SSA has limited data to assess this and other vulnerabilities in the work reporting process. In particular, stakeholders said that beneficiaries they work with do not always receive receipts, especially when reporting work by calling the 800 teleservice line. However, SSA's ability to determine the extent of these vulnerabilities is hindered, in part, due to data limitations. SSA's eWork system does not capture data that would help the agency determine how many work reports are filed by fax, mail, or in person. This system also does not allow SSA to determine how often staff go directly to a CDR without first completing a work report and issuing a receipt. Moreover, while SSA's system archives copies of printed receipts, it does not provide aggregate data on receipts provided. So even though SSA officials noted that local offices have procedures in place to ensure the timely processing of information received by mail or fax, data limitations prevent SSA from knowing the extent to which receipts are provided within five days. Further, according to SSA officials, determining the extent to which 800 teleservice staff might be using alternative approaches for sending work reports to field offices would require a significant effort to match data between two different systems.

Limited Guidance for Processing and Monitoring Work Reports

Although the agency monitors work reports for timeliness, SSA lacks guidance for processing work reports through completion, and monitoring them for quality. SSA has set a 30-day time frame for staff to screen pending work reports, and decide whether further action is required in

²³ 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.

light of the information in the work report, or whether the work report can be closed without additional action. 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 pending work reports approaching the 30-day timeframe to ensure timely processing. However, the agency has not established policies or procedures detailing the steps staff must take in screening these reports. Federal internal control standards state that agencies' policies and procedures should be clearly documented in administrative policies or operating manuals.²⁴ 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 result in a beneficiary being overpaid. SSA also lacks guidance and processes for ensuring the accuracy and quality of its work report decisions. In our work at several field locations, we did not identify any processes that would have either assessed the accuracy or quality of the screening decision, or provide feedback to staff on how to improve their decision making.²⁵ 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.²⁶ The absence of oversight and feedback increases the risk that the agency may not identify errors with work report decisions in a timely manner.

²⁴ [GAO/AIMD-00-21.3.1](#)

²⁵ SSA's policy manual states that all work activity should be evaluated during the work CDR process. This includes reviewing and, if necessary, correcting or updating the work report information previously provided by DI beneficiaries. However, this policy does not cover work reports that are closed without going through the CDR process, and does not establish guidance for how to review and provide feedback on the initial work report decision.

²⁶ [GAO/AIMD-00-21.3.1](#)

SSA Has Not Automated DI Beneficiary Work Reporting

SSA does not offer automated reporting options for DI beneficiaries — similar to those currently used in SSA’s Supplemental Security Income (SSI) program²⁷— even though such options could address vulnerabilities we identified. According to SSA officials, SSA first piloted a telephone wage reporting system for SSI beneficiaries 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 beneficiary without staff intervention. SSA has also noted that these automated reporting tools make reporting easier and more convenient for beneficiaries, and reduce field office workloads. SSA reported that it processed over 44,000 SSI telephone wage reports in September 2013, surpassing its fiscal year 2013 goal of 38,510 reports per month. In September 2013, the agency also received over 5,100 wage reports through its smartphone application. SSA continues to promote these methods and has stated that expanded use of automated reporting should help reduce improper payments in the SSI program.

Despite potential benefits to the DI program, SSA officials told us the agency has not used 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 the automated reporting in the DI program would not have the same return on investment as in the SSI program, due to the complexity of DI program rules. For example, officials stated determinations concerning DI work incentives—determinations that are currently a part of the work CDR process, not the DI work reporting process—cannot be easily automated.²⁸ SSA officials also stated that they currently favor

²⁷ The Supplemental Security Income (SSI) program, which is administered by the Social Security Administration (SSA), provides cash assistance to financially needy individuals who are aged, blind, or disabled. Although concurrent DI and SSI beneficiaries may report their wages using the SSI automated systems, DI-only beneficiaries are excluded.

²⁸ In processing DI work reports, SSA staff may document various information relevant to DI work incentives, such as earnings and employment-related work expenses—but determinations concerning how that information impacts benefits are made during the work CDR process .

using the www.mysocialsecurity.gov portal as the best approach for providing automated reporting options to DI beneficiaries. However, they did not provide any information on plans, timelines or costs associated with implementing such an approach. In the meantime, the current, manual DI work activity reporting options leave the process more vulnerable to error, provide less proof of beneficiaries' due diligence, and subject beneficiaries to less convenient reporting mechanisms.²⁹

Unclear Guidance and Complex Program Rules May Result in Confusion Regarding Work Reporting Requirements

Overpayments may arise because of unclear work reporting requirements and staff's differing interpretations of complex DI program rules. For example, SSA's regulations and its policy manual both state that DI beneficiaries should "promptly" report changes to work activity, but SSA has not defined this term, leaving this 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 site visits, we found variation in how staff instructed beneficiaries to report. For example, some staff said they instruct beneficiaries to report monthly, regardless of whether there are changes in their work, which is similar to the SSI program's wage-reporting requirements. Others told us they tell beneficiaries to report 10 days after any change, which is also similar to another SSI reporting requirement. One staff person indicated that she instructs beneficiaries not to bother reporting earnings under \$15,780 per year, even though this earnings limit applies to those receiving Social Security retirement benefits, not DI.³⁰ 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.

Further, our preliminary findings suggest that some SSA staff do not fully understand DI's complex work incentive rules. Service representatives

²⁹ In fiscal year 2014, SSA reported that its average speed of answer on the 800 teleservice line was about 23 minutes. Similarly, DI beneficiaries may face long wait times in local field offices, particularly at the beginning of each month.

³⁰ For some Social Security retirement beneficiaries, SSA deducts \$1 in benefits for each \$2 in earnings above the 2015 annual earnings limit of \$15,720.

who take work reports through SSA's 800 teleservice line or at the window in an SSA office are generally less highly trained or specialized in their knowledge about work incentives and may not always provide accurate information. For example, several staff we spoke with confused the trial work period earnings threshold with substantial gainful activity (SGA) earnings limits.³¹ Such a mistake might result in beneficiaries—who, for example, plan to return to work—being told not to report earnings that they should be 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 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.

SSA has developed a proposal to reduce complexity in the DI program, but has not tested or implemented this proposal to date. In its fiscal year 2012 budget request, SSA proposed the Work Incentives Simplification Pilot (WISP), to test a streamlined approach to evaluating DI Program work activity and reduce administrative workloads by making it simpler and less time-consuming for staff to verify earnings and validate benefits. It was also intended to reduce improper payments and eliminate rules that confuse beneficiaries, such as different definitions for income for the DI versus SSI program.³² Ultimately the agency hopes such an effort will reduce incidences of overpayments that may serve as a disincentive to DI beneficiaries who wish to work. SSA convened a Technical Advisory Panel to design a demonstration of WISP, which issued a report with recommendations in 2012 but also noted that the agency lacks authority

³¹ During the trial work period, beneficiaries receive their full Social Security disability benefits regardless of how much they earn, as long as they report work activity and continue to have a disabling impairment. In 2015, a trial work period month is any month in which total earnings are over \$780, and the trial work period continues until a beneficiary has worked nine months within a 60-month period. In contrast, the SGA monthly earnings limit in 2015 is \$1,090 (\$1,820 for blind beneficiaries) and is applicable after the 9-month trial work period is completed.

³² Under the DI program, earnings are counted when earned, while under the SSI program earnings are counted when paid. For beneficiaries who receive benefits from both programs, SSA may have to contact beneficiaries, employers, or both to obtain additional information in order to correctly calculate earnings both ways.

to implement the proposed demonstration.³³ However, the report also noted that SSA could conduct a pre-test to inform a large demonstration. This is an issue we will continue to explore in our ongoing work.

Despite the importance and challenges associated with work reporting, SSA provides beneficiaries with infrequent reminders, and those reminders it does provide contain limited information about potential liability for overpayments. GAO's 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.³⁴ SSA currently informs beneficiaries of reporting requirements when their benefit claim is initially approved; although it could be many years before a beneficiary returns to work. Nevertheless, one SSA representative/ manager indicated that the page signed by beneficiaries when they are initially approved for benefits could specifically include information about work reporting requirements, which would make it more difficult for beneficiaries who incur an overpayment to claim that they were unaware of their reporting responsibilities. 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 beneficiaries to report wages, using notices, emails and reminders—an option not currently available for DI beneficiaries.³⁵ SSA officials stated that the agency does not have near-term plans to provide additional notices to DI beneficiaries to encourage work reporting. Finally, although the initial application and annual letter mention potential liability for overpayments for beneficiaries who fail to report work, SSA's "Working While Disabled" pamphlet—which

³³ Since 1985, SSA's demonstration authority has been extended five times. The most recent of these extensions expired in 2005. In 2008, GAO found that SSA's demonstration projects had little impact on disability policy and the SSDI and SSI programs. (Social Security Disability: Management Controls Needed to Strengthen Demonstration Projects. [GAO-08-1053](#) (Washington, D.C.: September 26, 2008). SSA's 2016 budget proposal included a request to reauthorize and expand demonstration authority for the DI and SSI programs.

³⁴ [GAO/AIMD-00-21.3.1](#).

³⁵ SSA established this web-based system because it deemed unreported and untimely reported wages to be a major source of SSI program payment errors.

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. Some SSA staff we spoke with said they tell beneficiaries not to spend benefit checks or deposits that they believe were sent in error. However one stakeholder group we spoke with said that many beneficiaries mistakenly believe that, if they diligently report work and still receive benefits, then they must be entitled to those benefits. We will continue to assess the issues discussed in this statement and will report our final results later this year.

Chairman Johnson, Ranking Member Becerra, and members of the Subcommittee, this completes my prepared statement. I would be pleased to respond to any questions that you may have at this time.

GAO Contacts and Staff Acknowledgments

If you or your staff have any questions about this testimony, please contact me at (202) 512-7215 or bertonid@gao.gov. Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this statement. GAO staff members who made key contributions to this testimony are Michele Grgich (Assistant Director), James Bennett, Daniel Concepcion, Julie DeVault, Dana Hopings, Arthur Merriam, Jean McSween, Ruben Montes de Oca, James Rebbe, Martin Scire, Charlie Willson, and Jill Yost.

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