



July 2015

# DISABILITY INSURANCE

## Actions Needed to Help Prevent Potential Overpayments to Individuals Receiving Concurrent Federal Workers' Compensation

Accessible Version

# GAO Highlights

Highlights of [GAO-15-531](#), a report to congressional requesters

## Why GAO Did This Study

Both SSA's DI program and DOL's FECA program provide an important safety net for workers by providing billions of dollars in benefits annually to workers with disabilities. Federal law requires SSA to reduce DI benefits for some individuals receiving workers' compensation payments, including FECA payments, and SSA risks overpaying benefits if it does not do so.

GAO was asked to study potential DI overpayments due to the concurrent receipt of FECA benefits. GAO examined the extent to which: (1) SSA has detected individuals receiving concurrent FECA benefits that may result in potential DI overpayments, (2) internal controls that SSA relies on help prevent these potential overpayments, and (3) SSA is identifying and recovering these potential overpayments. GAO compared DI beneficiary data to FECA beneficiary data. GAO reviewed agency documentation and interviewed officials to identify relevant internal controls. GAO also reviewed case files for a nongeneralizable sample of 20 individuals, selected based on their risk of DI overpayments. GAO also reviewed information on DI overpayments and recovery efforts.

## What GAO Recommends

GAO recommends that SSA review the potential overpayments GAO identified and compare the costs and benefits of alternatives for reducing the potential for overpayments to individuals receiving concurrent FECA payments to determine how best to strengthen internal controls. SSA agreed with GAO's recommendations.

View [GAO-15-531](#). For more information, contact Seto Bagdoyan at (202) 512-6722 or [bagdoyans@gao.gov](mailto:bagdoyans@gao.gov).

July 2015

## DISABILITY INSURANCE

### Actions Needed to Help Prevent Potential Overpayments to Individuals Receiving Concurrent Federal Workers' Compensation

## What GAO Found

GAO found that the Social Security Administration (SSA) detected concurrent Disability Insurance (DI) and Federal Employees' Compensation Act (FECA) payments received by some, but not all individuals who received these concurrent payments during at least 1 calendar month from July 1, 2011 through June 30, 2014, which was the most-current data available at the time GAO began its work. Specifically:

- SSA successfully detected FECA payments for approximately 4,090 individuals (about 52 percent) of the approximately 7,860 individuals who received concurrent FECA and DI payments during that period.
- SSA did not detect concurrent FECA payments for approximately 1,040 individuals (about 13 percent). These 1,040 individuals received a total of \$48 million in DI benefits during this period, but the data GAO received did not contain detailed information necessary to determine the exact amount of any DI overpayments.
- Due to limitations in the SSA data GAO received, GAO was unable to determine whether SSA detected concurrent FECA benefits for about 2,730 individuals (about 35 percent) who received concurrent FECA benefits.

SSA's internal controls for helping to prevent DI overpayments due to the concurrent receipt of FECA benefits rely on beneficiaries to self-report any workers' compensation benefits, including FECA benefits. However, GAO's nongeneralizable case studies showed that SSA's internal controls did not detect and prevent potential DI overpayments to any of the 20 beneficiaries GAO selected for additional review. For 7 of the 20 individuals GAO reviewed, SSA did not detect and prevent potential overpayments for more than a decade, resulting in potential overpayments totaling more than \$100,000 for each of these 7 individuals. GAO plans to refer these 20 cases to SSA for further review. Thus, GAO describes these as potential overpayments because SSA has not yet established overpayments for these individuals.

SSA officials reported that the agency made an estimated \$371.5 million in DI overpayments stemming from FECA benefits from fiscal year 2009 through fiscal year 2013, but GAO was unable to determine how much of these funds SSA has recovered. SSA officials told GAO that they have spent more than a decade exploring the best way to match the Department of Labor's (DOL) FECA data with SSA data to prevent DI overpayments, but SSA is not currently performing a routine match of these data. SSA previously stated that it would not be cost-effective to perform a routine match of FECA data with SSA data to help prevent DI overpayments, but SSA did not consider specific cost and benefit information in making this determination. The Office of Management and Budget has issued guidance stating that a program may be justified if its benefits outweigh its costs. In this context, making such a determination would involve comparing the costs and benefits of alternatives to SSA's current approach for reducing these overpayments, which relies on beneficiaries to self-report any FECA benefits they receive. These alternatives may include, among others, obtaining available FECA data to prevent overpayments. Comparing alternatives for reducing these overpayments would help SSA to determine which option presents the best opportunity to detect and prevent DI overpayments related to FECA benefits.

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**Abbreviations**

COLA	cost of living adjustment
DI	Disability Insurance
DOL	Department of Labor
FECA	Federal Employees' Compensation Act
iFECS	Integrated Federal Employees' Compensation System
MBR	Master Beneficiary Record

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POMS	Program Operations Manual System
OIG	Office of Inspector General
OMB	Office of Management and Budget
ROAR	Recovery of Overpayments, Accounting and Reporting
SSA	Social Security Administration

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July 8, 2015

Congressional Requesters

Both the Social Security Disability Insurance (DI) and Department of Labor's (DOL) Federal Employees' Compensation Act (FECA) program provide an important safety net for workers by providing wage-loss compensation for workers with disabilities. The DI program, which is administered by the Social Security Administration (SSA), is the nation's largest cash assistance program for workers with disabilities. In fiscal year 2014, the DI program paid more than \$142 billion in benefits to approximately 11 million beneficiaries.<sup>1</sup> The FECA program, which is administered by DOL's Office of Workers' Compensation Programs, provides wage-loss, medical, and rehabilitation compensation to federal employees who suffered work-related injuries and illnesses. In fiscal year 2012, the FECA program provided nearly 243,000 workers and survivors over \$3 billion in benefits for work-related injuries, illnesses, or deaths.<sup>2</sup>

Federal law requires SSA to reduce DI benefits for some individuals receiving workers' compensation payments, including FECA payments, and SSA risks overpaying DI benefits if it does not do so.<sup>3</sup> Specifically, SSA must offset DI benefits to ensure that the sum of an individual's monthly DI and FECA benefit payments does not exceed a certain statutory limit. This limit is based in part on the individual's average monthly earnings prior to her or his disability. If SSA does not obtain timely and accurate information about an individual's FECA benefits, overpayments can accrue. Overpayments adversely affect program integrity, and may also create economic hardship for individuals who have to repay overpayment debts once they have been detected. Further, overpayments in the DI program contribute to the weakened financial

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<sup>1</sup>Social Security Administration, *Agency Financial Report, Fiscal Year 2014* (Nov. 10, 2014).

<sup>2</sup>Department of Labor Office of Workers' Compensation Programs, *Annual Report to the Congress, Fiscal Year 2012* (Washington, D.C.: February 2014). This fiscal year 2012 report was the most recent available at the time of our review.

<sup>3</sup>42 U.S.C. § 424a(a) and 5 U.S.C. § 8116(d)(1).

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status of the DI trust fund, which the Social Security Board of Trustees projects will be exhausted in 2016.

Given that DI overpayments contribute to the weakened financial status of the DI trust fund, you asked us to examine SSA's efforts to prevent DI overpayments resulting from the concurrent receipt of FECA benefits. This report addresses the extent to which: (1) SSA has detected individuals receiving concurrent FECA benefits that may result in potential DI overpayments, (2) internal controls that SSA relies on help prevent DI overpayments due to the concurrent receipt of FECA benefits, and (3) SSA is identifying and recovering potential DI overpayments due to the concurrent receipt of FECA benefits.

To determine the extent to which SSA has detected individuals receiving concurrent FECA benefits that may result in potential DI overpayments, we compared DI beneficiary data from SSA's Master Beneficiary Record (MBR) with FECA data from DOL's Integrated Federal Employees' Compensation System (iFECs) to identify individuals who received concurrent DI and FECA benefits in at least 1 month from July 1, 2011 through June 30, 2014—the most-current data available at the time we began our work.<sup>4</sup> Our analysis of concurrent payments includes only primary DI and FECA beneficiaries who received FECA benefit payments for work performed as federal civilians. Our analysis may understate the population of individuals receiving concurrent DI and FECA benefits for two reasons. First, our analysis does not include individuals who received FECA benefits that may be offset under certain circumstances, such as military disability payments, because the MBR and iFECs data do not contain sufficient information for us to determine which of these payments

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<sup>4</sup>The MBR is an electronic record of all DI beneficiaries and contains information on beneficiaries' entitlement status and benefit payments, among other information. iFECs provides a case-management system to support the core business functions in administering FECA benefits. The period of July 1, 2011 through June 30, 2014 represents DOL's chargeback years 2012 through 2014. The term "chargeback" refers to the process by which DOL bills employing agencies for their compensation costs incurred during the preceding year. A single chargeback year is from July 1 through June 30.

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may require a DI benefit offset.<sup>5</sup> Second, our MBR extract consists of primary DI beneficiaries in current pay status as of October 2014; thus, our analysis does not include certain DI beneficiaries who may have received concurrent FECA payments during our period, but whose DI benefits were terminated or otherwise not in current pay status as of October 2014. As part of this work, we also used the DI and FECA data we obtained to identify the subpopulation of individuals who received FECA benefits that SSA had not detected at the time of our work. The MBR and iFECS data we received did not contain the detailed information necessary for us to determine the exact amount of DI overpayments that SSA may have made if the agency did not offset these overlapping benefits<sup>6</sup> in accordance with federal law.<sup>7</sup>

To determine the extent to which internal controls that SSA relies on help prevent DI overpayments due to the concurrent receipt of FECA benefits, we reviewed supporting documentation describing relevant internal controls and interviewed agency officials. We compared those internal controls to *Standards for Internal Control in the Federal Government* and

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<sup>5</sup>Our analysis does not include some types of FECA payments that may require a DI benefit offset under certain conditions. For example, SSA Program Operations Manual System (POMS) section DI 52130.001 indicates that certain public disability benefits, such as military disability benefits and Part B Black Lung Benefits from the Federal Mine Safety and Health Act, only require a DI benefit offset under certain conditions. Because the iFECS and MBR data we received do not contain sufficient evidence for us to determine which payments in the iFECS data may require a DI benefit offset, our analysis excludes such payments.

<sup>6</sup>Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries. See GAO, *2015 Annual Report: Additional Opportunities to Reduce Fragmentation, Overlap, and Duplication and Achieve Other Financial Benefits*, [GAO-15-404SP](#) (Washington, D.C.: Apr. 14, 2015). In this case, both SSA's DI program and DOL's FECA program provide cash benefits to replace lost wages for some of the same individuals. As such, these are overlapping benefits for some individuals. As previously described, federal law requires SSA to reduce DI benefits for individuals who receive concurrent FECA benefits beyond statutory limits.

<sup>7</sup>42 U.S.C. § 424a(a) and 5 U.S.C. § 8116(d)(1). The limitations associated with MBR and iFECS data we received are discussed in more detail later in this report.

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our Fraud Prevention Framework.<sup>8</sup> As part of this work, we also selected 20 individuals for case-study examples that illustrate how these internal controls did or did not prevent SSA from making potential overpayments to beneficiaries who received concurrent FECA benefits. Specifically, we randomly selected 10 individuals who received 15 or more concurrent FECA payments during a single calendar year that were not detected by SSA.<sup>9</sup> We believe the number of undetected concurrent payments these individuals received in a single year suggests that they may be at a higher risk of receiving overpayments. We also randomly selected 10 individuals who received 14 or fewer undetected concurrent FECA payments during a single calendar year. We then consulted with SSA staff to determine whether SSA overpaid these beneficiaries due to the concurrent receipt of FECA benefits. Because we selected a small number of individuals for further review, these examples cannot be generalized to the population of individuals receiving concurrent DI and FECA payments.

To determine the extent to which SSA is identifying and recovering potential DI overpayments, we reviewed the SSA documentation on DI overpayments and analyzed SSA data on overpayment recovery efforts.<sup>10</sup> We also reviewed supporting documentation and interviewed SSA officials to assess the extent to which SSA has considered cost and benefit information in identifying FECA payment information as part of the agency's efforts to prevent DI overpayments. We compared this information to *Standards for Internal Control in the Federal Government* and Office of Management and Budget (OMB) guidance on analyzing the

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<sup>8</sup>See GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999); and *Individual Disaster Assistance Programs: Framework for Fraud Prevention, Detection, and Prosecution*, [GAO-06-954T](#) (Washington, D.C.: July 12, 2006). The Fraud Prevention Framework was developed by GAO and informed by GAO's internal control standards for the federal government. We are currently considering revisions to the Fraud Prevention Framework, which we plan to publish in the summer of 2015.

<sup>9</sup>Individuals who received 15 or more undetected concurrent FECA and DI payments in a single calendar year represent approximately the top 5 percent of individuals who received undetected concurrent payments for a single calendar year.

<sup>10</sup>We reviewed SSA estimates of DI overpayments stemming from FECA benefits from fiscal years 2009 through 2013. SSA developed these estimates as part of the agency's annual stewardship reviews, which did not estimate the amount of overpayments that have been collected through the agency's recovery efforts. However, we analyzed SSA data from a different data source on DI overpayment recovery efforts from fiscal years 2010 through 2014. Additional details on these data sources are described in appendix I and appendix III.

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benefits and costs of federal programs.<sup>11</sup> A detailed description of our scope and methodology is included in appendix I.

To determine the reliability of the SSA disability data and DOL's FECA data, we performed electronic testing to determine the validity of specific data elements that we used to perform our work. We also reviewed documentation related to the MBR and iFECs databases and interviewed officials responsible for compiling and maintaining relevant DI and FECA data. In addition, we reviewed detailed DI and FECA case files for the nongeneralizable selection of 20 individuals selected as described above who received concurrent DI and FECA payments to corroborate specific DI data and FECA data for those individuals. We also reviewed documentation related to the SSA data on overpayment recovery efforts and interviewed knowledgeable agency officials about those efforts. Based on our discussions with agency officials and our own testing, we concluded that the data elements used for this work were sufficiently reliable for the purposes of this report.

We conducted this performance audit from August 2014 to July 2015 in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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## Background

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### Disability Insurance

The DI program provides monthly cash benefits to individuals unable to work due to a disability. An individual is eligible to receive DI benefits if she or he has a medically determinable physical or mental impairment that (1) has lasted (or is expected to last) at least 1 year or is expected to result in death and (2) prevents the individual from engaging in work activity that involves significant physical or mental activities performed for

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<sup>11</sup> See [GAO/AIMD-00-21.3.1](#). The OMB guidance we refer to here is OMB Circular No. A-94 (Oct. 29, 1992), available at 57 Fed. Reg. 53519 (Nov. 10, 1992).

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pay or profit.<sup>12</sup> In July 2014, more than 8.9 million disabled workers received DI benefits, and the average monthly benefit for disabled workers was \$1,145.

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## FECA Program

The FECA program provides workers' compensation benefits to federal employees with work-related injuries and occupational diseases.<sup>13</sup> To be eligible for FECA benefits, generally an individual must have been injured while in performance of duty as an employee of the U.S. federal government. FECA benefits include wage-loss benefits for total or partial disability, monetary benefits for permanent impairment, medical benefits, and vocational rehabilitation. In fiscal year 2012, DOL provided more than \$3 billion in wage-loss compensation to nearly 243,000 injured federal workers and survivors.

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## Concurrent DI and FECA Benefits

Individuals may receive concurrent DI and FECA payments up to a certain limit without having their DI benefits offset, but federal law requires SSA to offset DI benefits when an individual's combined DI and FECA benefits exceed this limit.<sup>14</sup> To identify individuals who are receiving concurrent FECA and DI benefits, SSA requires DI applicants to self-report any FECA benefits they are receiving as part of their initial application for DI benefits. After individuals are approved for DI benefits, SSA relies on beneficiaries to self-report any FECA benefits they

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<sup>12</sup>42 U.S.C. § 423. Individuals may also be able to qualify based on the work record of a deceased or retired parent with a disability or a deceased spouse. As mentioned, our analysis includes only primary beneficiaries.

<sup>13</sup>In addition to federal workers, FECA also provides compensation to injured Peace Corps and Volunteers in Service to America volunteers, federal petit and grand jurors, Civil Air Patrol volunteers, Reserve Officer Training Corps Cadets, Job Corps, Youth Conservation Corps, and nonfederal law-enforcement officers injured in circumstances involving crimes against the United States. Department of Labor, Office of Workers' Compensation Programs, *Annual Report to the Congress, Fiscal Year 2012*.

<sup>14</sup>The applicable limit referred to here is the higher of either (1) 80 percent of the individual's average current earnings or (2) total family benefits. SSA calculates the average current earnings based, in part, on previous wages earned. For more information on average current earnings, see SSA POMS, section DI 52150.010. SSA's calculation of total family benefits includes the total of all monthly benefits for the primary beneficiary and any auxiliaries, such as spouses and children. For more information on total family benefits, see SSA POMS, section DI 52150.005.

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receive.<sup>15</sup> When SSA becomes aware of a DI beneficiary receiving FECA benefits, agency policy directs staff to obtain proof of FECA payments before offsetting DI benefits as necessary.<sup>16</sup> SSA also uses a series of automated alerts and manual alerts created by agency staff to help SSA staff resolve pending information about concurrent workers' compensation payments.<sup>17</sup>

SSA has several methods for recovering DI overpayment debts, including those related to FECA benefits. To recover DI overpayment debts, SSA is to notify the beneficiary, provide due process (to allow for reconsideration, among other actions), and attempt to recover the overpayment in its entirety. However, individuals may request a waiver for the overpayment debt.<sup>18</sup> SSA may grant the requested waiver if the agency finds the individual was not at fault for the overpayment and repayment would either defeat the purpose of the program or be against equity and good conscience, as defined by SSA.<sup>19</sup> If the individual is receiving DI or certain other SSA benefits, the agency may withhold the entire monthly benefit payment or withhold a partial amount of the monthly benefit payment to recover the full amount of the overpayment.<sup>20</sup> If the individual is not receiving SSA benefits, the agency generally requires the overpayment to be repaid in full or in an installment agreement. If a debt becomes delinquent, SSA may use external collection methods, such as the Treasury Offset Program, which is administered by the Department of the Treasury and includes reducing a debtor's tax refunds by the amount of

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<sup>15</sup>Beneficiaries may report their workers' compensation payments in several ways, such as by calling or visiting a local Social Security office or by calling a toll-free number.

<sup>16</sup>SSA POMS, section DI 52140.010.

<sup>17</sup>For example, SSA reported that in April 2011 the agency established an automated alert system that generates an alert 9 months after the adjudication of a disability claim. If SSA staff does not change the pending status of the alert, this automated system will generate a new alert every 6 months. Social Security Administration Office of Budget, Finance, Quality, and Management, *Fiscal Year 2013 Workers' Compensation and Public Disability Benefit Report* (January 2014).

<sup>18</sup>An individual can dispute the occurrence of the overpayment or request a waiver that she or he is not responsible for the overpayment and incapable of repaying the overpayment. 20 C.F.R. § 404.506. A waiver permanently terminates collection of a debt and removes the debt from SSA's balance sheet.

<sup>19</sup>20 C.F.R. § 404.512.

<sup>20</sup>20 C.F.R. §§ 404.502(a) and 404.530.

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the debt, among other collection methods.<sup>21</sup> SSA may also attempt to recover payments due from the individual's estate or subsequent survivor's benefits.

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## SSA Detected Concurrent FECA Benefits for Some, but Not All Individuals Receiving These Benefits during Our Review Period

Our analysis of DI and FECA beneficiary data indicates that SSA detected concurrent FECA payments received by some, but not all individuals who received these concurrent payments during at least 1 calendar month of the period from July 1, 2011 through June 30, 2014, which was the time frame for our analysis.<sup>22</sup> Specifically, we found the following:

- SSA successfully detected FECA payments for approximately 4,090 individuals or about 52 percent of the approximately 7,860 individuals who received concurrent FECA and DI payments during that period.<sup>23</sup>
- SSA did not detect concurrent FECA payments for approximately 1,040 individuals or about 13 percent of the population of individuals

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<sup>21</sup>When a debtor is no longer receiving benefits and not repaying the overpayment debt as agreed, SSA collects the debt using external debt-collection tools such as: (1) tax refund offset, which withholds federal tax refunds; (2) federal salary offset, which withholds wages and payments to a federal employee; (3) administrative offset, which withholds federal payments other than tax refunds or salary; (4) administrative wage garnishment, which garnishes wages and payments paid by private employers or state and local governments; and (5) credit bureau referral, which refers delinquent accounts to credit bureaus.

<sup>22</sup>The period of July 1, 2011 through June 30, 2014 represents DOL's chargeback years 2012 through 2014. The term "chargeback" refers to the process by which DOL bills employing agencies for their compensation costs incurred during the preceding year. A single chargeback year is from July 1 through June 30. As previously described, our analysis may understate the population of individuals receiving concurrent DI and FECA benefits for several reasons. We identified whether SSA detected concurrent benefits using a specific variable in SSA's data, in accordance with instruction from SSA officials. A detailed description of our scope and methodology is included in app. I.

<sup>23</sup>Our analysis includes FECA payments made as disability payments, payments for loss of wage earning capacity, and schedule awards. Schedule awards are specific payment amounts made over a specific period for the loss of certain body functions, such loss of hearing, loss of vision, loss of arms or legs, etc. For the approximately 7,860 individuals who received concurrent FECA and DI payments during our period of analysis, about 7,170 individuals (about 91 percent) received concurrent FECA payments for loss of wage earning capacity or periodic disability payments. About 275 individuals (about 4 percent) received concurrent FECA payments for only schedule awards. About 415 individuals (about 5 percent) received concurrent FECA payments for both schedule awards and periodic disability or loss of wage earning capacity.

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we identified as receiving concurrent DI and FECA payments during that period.<sup>24</sup> These 1,040 individuals received a total of \$48 million in DI benefits during this period, but the electronic data we received did not contain the detailed information necessary for us to determine the exact amount of DI overpayments that SSA may have made if the agency did not offset these overlapping benefits<sup>25</sup> in accordance with federal law.<sup>26</sup>

- SSA detected the receipt of other, non-FECA workers' compensation for about 2,730 individuals, or about 35 percent of our population. As discussed below, we were unable to determine whether SSA was aware that these individuals were also receiving concurrent FECA benefits using the SSA data we received.

Figure 1 below illustrates (1) the proportion of individuals whose FECA benefits were detected by SSA; (2) the proportion whose FECA benefits

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<sup>24</sup>Our analysis of the DI data we received also indicates that, at the time of our review, SSA had not offset the DI benefits for these approximately 1,040 individuals who received concurrent FECA payments that the agency did not detect. SSA officials confirmed that our analysis indicates that the agency had not offset DI benefits for the approximately 1,040 individuals that the agency did not know were receiving FECA benefits at the time of our review.

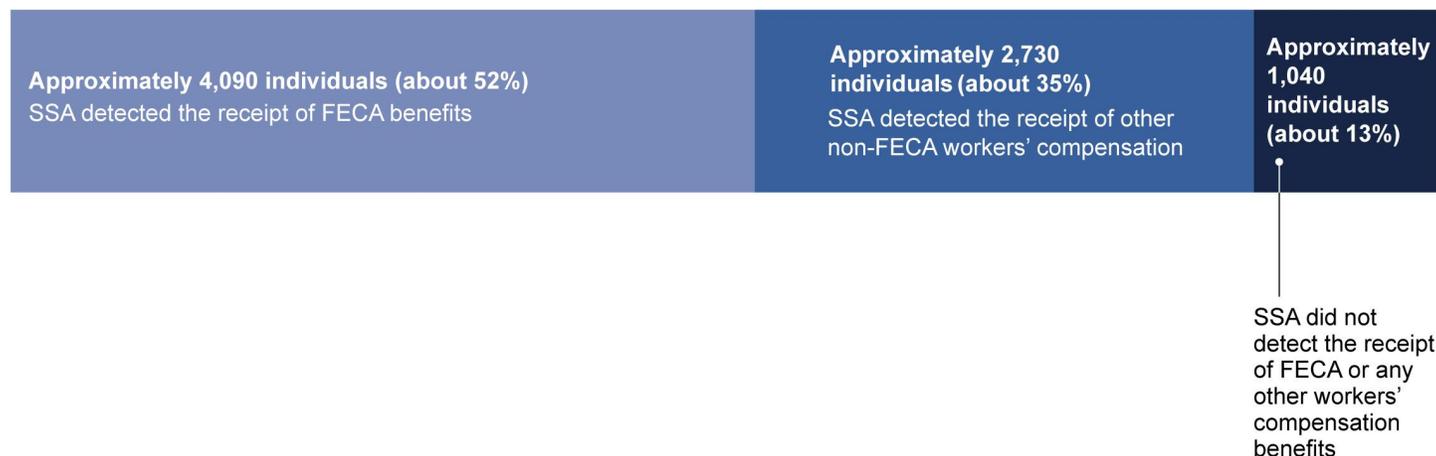
<sup>25</sup>Overlap occurs when multiple agencies or programs have similar goals, engage in similar activities or strategies to achieve them, or target similar beneficiaries ([GAO-15-404SP](#)). In this case, both SSA's DI program and DOL's FECA program provide cash benefits to replace lost wages for some of the same individuals. As such, these are overlapping benefits for some individuals. As previously described, federal law requires SSA to reduce DI benefits for individuals who receive concurrent FECA benefits beyond statutory limits.

<sup>26</sup>42 U.S.C. § 424a(a) and 5 U.S.C. § 8116(d)(1). SSA's rules for calculating the DI offset for FECA benefits stipulate that certain benefit increases, such as cost of living adjustments (COLA), are to be protected from offset. To do this, SSA must identify the first possible month that an individual received both FECA and DI—that is, the first possible month of offset, regardless of whether the offset is actually imposed—and exclude from offset any COLAs to the DI benefit that occur in subsequent months (DI 52150.055). Because the DI and FECA payment data we used to perform this work are limited to July 1, 2011 through June 30, 2014, we were unable to identify any DI or any FECA payments prior to July 1, 2011. Further, the iFECS data do not contain a variable that indicates the first date that FECA benefits are payable, meaning that we could not use the data to identify whether the first possible month of offset occurred before the time frame of our data extracts. Thus, we could not use the electronic data we received to identify the first possible month of offset for all individuals in our population, and consequently we could not calculate the exact amount of potential DI benefit overpayments that occurred during this period in accordance with SSA policy.

were not detected by SSA; and (3) the proportion whose SSA records indicate that SSA detected a non-FECA benefit payment.

**Figure 1: The Social Security Administration Detected Concurrent Federal Employees' Compensation Act Payments for Some, but Not All Individuals Reviewed**

**GAO identified about 7,860 individuals who received concurrent Social Security Disability Insurance (DI) and Federal Employees' Compensation Act (FECA) benefits in at least 1 month from July 2011 through June 2014**



Source: GAO analysis of Social Security Administration (SSA) and Department of Labor (DOL) data. | GAO-15-531

As mentioned, we were unable to determine whether SSA was aware that about 2,730 individuals, or about 35 percent of our population, were receiving concurrent FECA benefits using the SSA data we received. Specifically, our analysis of the SSA data we received indicates that SSA detected the receipt of some type of workers' compensation payment other than FECA, such as workers' compensation paid by a state or local government. Because SSA may have detected other types of concurrent workers' compensation payments, but not the FECA payments that our analysis detected, we asked SSA whether these individuals' SSA records may have inaccurately described the FECA benefits as a different type of benefit payment. SSA officials told us that was possible. However, to verify whether these individuals actually received a non-FECA workers' compensation payment in addition to the FECA payments detected by our analysis, SSA officials told us that the agency would need to obtain primary source payment information, such as the payment stubs for each of the approximately 2,730 individuals. As part of this work, we did not attempt to verify the type of payments received for the approximately 2,730 individuals whose SSA records indicate that they received some

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type of workers' compensation payment other than FECA because non-FECA workers' compensation payments were outside the scope of this review. Therefore, we cannot determine whether SSA detected the concurrent FECA benefits received by any of these approximately 2,730 individuals, and as a result, the population of 1,040 individuals we identified as receiving concurrent DI and FECA benefits that SSA did not detect may be understated.

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## Reliance on Self-Reporting as an Internal Control Resulted in Potential DI Overpayments for Some Beneficiaries

According to SSA officials, SSA's internal controls for helping to prevent DI overpayments due to the concurrent receipt of FECA benefits rely on beneficiaries to self-report any workers' compensation benefits, including FECA benefits. Specifically, SSA requires DI applicants to self-report any workers' compensation benefits they are receiving as part of their initial application for DI benefits. After individuals are approved for DI benefits, SSA relies on beneficiaries to self-report any workers' compensation benefits they receive, which beneficiaries may do at any time. SSA officials told us that if beneficiaries do not self-report benefits, there are no system prompts that would alert SSA staff to ask beneficiaries if they are receiving any workers' compensation payments, including FECA payments. During this review, SSA officials agreed that relying on beneficiaries to self-report benefits presents a challenge in identifying overpayments related to the concurrent receipt of FECA benefits. Further, we have previously concluded that agencies' reliance on self-reported data poses an internal-control weakness that affects program integrity.<sup>27</sup>

Our nongeneralizable case studies, discussed below, showed that SSA's internal controls did not detect and prevent potential DI overpayments to

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<sup>27</sup>GAO, *Federal Employees' Compensation Act: Preliminary Observations of Fraud-Prevention Controls*, [GAO-12-402](#) (Washington, D.C.: Jan. 25, 2012).

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any of the 20 beneficiaries we randomly selected for additional review.<sup>28</sup> Because we selected a small number of individuals for further review, the results of our case-study reviews cannot be generalized to the population of individuals receiving concurrent DI and FECA benefits. However, we plan to refer these 20 cases to SSA for further review. Thus, we describe these as potential overpayments because SSA has not yet established overpayments or debt-collection efforts for these individuals.

In some instances, SSA did not detect and prevent potential overpayments for more than a decade, resulting in potential overpayments totaling more than \$100,000 each for some individuals.<sup>29</sup> For example, one individual began receiving FECA benefits in the 1980s and later was approved for DI benefits in 1994. However, our review of detailed case-file information for this individual—performed in conjunction with SSA subject-matter experts—found no evidence that the individual reported his FECA benefits to SSA at any time from January 1994, when he began receiving concurrent DI and FECA benefits, through January 2015, which was the most recent available case-file information at the time we performed our reviews. As such, SSA’s reliance on self-reporting as an internal control did not detect these concurrent payments for more than 20 years. Further, we consulted with SSA staff to calculate potential DI overpayments for this individual and found that, as of January 2015, SSA made more than \$200,000 in potential DI overpayments to the

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<sup>28</sup>As mentioned, we selected 20 individuals for case-study examples that illustrate how SSA’s internal controls did or did not prevent the agency from making potential overpayments to beneficiaries who received concurrent FECA benefits. Specifically, we randomly selected 10 individuals who received 15 or more concurrent FECA payments during a single calendar year that were not detected by SSA. Individuals who received 15 or more undetected concurrent FECA and DI payments in a single calendar year represent approximately the top 5 percent of individuals who received undetected concurrent payments for a single calendar year. We believe the number of undetected concurrent payments these individuals received in a single year suggests that they may be at a higher risk of receiving overpayments. We also randomly selected 10 individuals who received 14 or fewer undetected concurrent FECA payments during a single calendar year. For additional information on how we selected these 20 individuals for additional review, see appendix I.

<sup>29</sup>Seven out of 20 nongeneralizable case study individuals we reviewed received potential DI overpayments of more than \$100,000 each over more than a decade. Appendix II contains additional information on the potential overpayments SSA made to all 20 case study individuals we reviewed as part of this work.

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individual over more than 20 years.<sup>30</sup> As mentioned, federal law requires SSA to offset DI benefits to ensure that the sum of an individual's monthly DI and FECA benefit payments does not exceed a certain statutory limit.<sup>31</sup> Appendix II contains additional information on the potential overpayments SSA made to all 20 case-study individuals we reviewed as part of this work.

Our analysis of the nongeneralizable case studies also found that SSA made potential overpayments to eight individuals who dutifully reported their workers' compensation payments to SSA because agency staff did not obtain sufficient proof of the workers' compensation payments, as required by SSA policy, to offset their DI benefits and prevent these potential overpayments.<sup>32</sup> The reason for the overpayments in these eight case studies is consistent with SSA's internal review of DI overpayments to individuals also receiving workers' compensation in fiscal year 2013, which found that most overpayment errors occurred when SSA staff did not develop evidence of workers' compensation or public disability benefits in accordance with SSA instructions and guidelines.<sup>33</sup> Specifically, we found the following:

- For seven of these eight case-study individuals who reported receiving workers' compensation payments, we found no evidence that SSA staff followed up with any agency to verify the reported workers' compensation payments, as required by SSA policy. In one example, the individual reported receiving workers' compensation

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<sup>30</sup>We also found that this individual received concurrent DI and FECA benefits during at least 1 year in which no offset applied because federal law currently stipulates that the DI offset for workers' compensation should end when beneficiaries reach the age of 65. However, pursuant to the Stephen Beck, Jr., Achieving a Better Life Experience (ABLE) Act of 2014, the age at which DI is no longer subject to offset will change from 65 to the normal retirement age range as set forth in the Social Security Act. This change is only applicable to individuals who attain the age of 65 on or after December 19, 2015. Pub. L. No. 113-295, 129 Stat. 4010, Div. B, Tit. II, § 201 (Dec. 19, 2014).

<sup>31</sup>42 U.S.C. § 424a(a).

<sup>32</sup>SSA POMS, section DI 52140.010, requires agency staff to document all allegations of workers' compensation and public disability benefits and obtain all relevant payment rates, dates, lump-sum settlements, and any subsequent changes to these workers' compensation or public disability payments.

<sup>33</sup>Social Security Administration, Office of Budget, Finance, Quality, and Management, *Fiscal Year 2013 Workers' Compensation and Public Disability Benefit Report* (January 2014).

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payments during her initial application for DI benefits in May 2011. Her initial application for DI benefits was denied, but later approved on appeal in December 2012. Our case-file review showed that no SSA system alerts were created to remind SSA staff to follow up on the workers' compensation payments this individual reported to SSA. Further, SSA staff did not follow up on the workers' compensation payments reported in the individual's initial application, which SSA policy requires agency staff to do. SSA officials were unable to explain why no SSA system alerts were created and why agency staff did not follow up on the workers' compensation payments reported on this individual's initial application. We consulted with SSA staff to calculate potential DI overpayments for this individual and found that, as of January 2015, SSA made more than \$25,000 in potential DI overpayments to this individual over nearly 2 years.

- For one of the eight case-study individuals who dutifully reported receiving workers' compensation, we found that SSA staff followed up with a workers' compensation agency, but did not obtain sufficient proof of the workers' compensation payments to offset the individual's DI benefits and prevent significant DI overpayments. Specifically, we found that this case-study individual spoke with SSA staff and reported workers' compensation in July 2011. However, the individual's DI case-file notes indicate that SSA staff followed up with a workers' compensation agency and, on the basis of that conversation, concluded that the DI beneficiary was not receiving workers' compensation payments. We were unable to determine from the case-file notes whether the SSA staff followed up with a representative from a state, local or federal workers' compensation agency. However, we consulted with SSA staff to calculate potential DI overpayments for this individual and found that, as of January 2015, SSA made more than \$52,000 in potential DI overpayments to this individual over more than 3 years because the individual was receiving FECA payments for which SSA had not accounted.

Because we reviewed a nongeneralizable selection of case studies, we are unable to determine the extent to which SSA may be overpaying DI beneficiaries because agency staff did not obtain sufficient proof of the workers' compensation payments to offset beneficiaries' DI payments in accordance with federal law. However, as previously mentioned, SSA's internal review of DI overpayments to individuals who received workers' compensation in fiscal year 2013 also found that most overpayment errors occurred when SSA staff did not develop evidence of workers' compensation or public disability benefits, which raises questions about

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whether this reason for DI overpayments could be a pervasive reason for overpayments in the DI program.<sup>34</sup>

Our case-file reviews for these 20 individuals also illustrate instances in which beneficiaries did not self-report their FECA benefits as required by SSA program rules, which raises questions about whether some individuals may have inadvertently or fraudulently omitted this information.<sup>35</sup> Specifically, our detailed case-file reviews—performed in conjunction with SSA subject matter experts—found no evidence that 12 of the 20 individuals we selected for additional review reported their FECA payments to SSA. In one example, an individual applied for federal workers’ compensation under the FECA program in November 2010 and began receiving periodic FECA payments for that claim in December 2010. In February 2011—3 months after she applied for FECA benefits, and after receiving FECA payments in the previous 2 months—the individual spoke with SSA staff to complete her application for DI benefits and certified that she had not filed nor intended to file for any workers’ compensation or public disability benefits. Our detailed case-file reviews found no indication that this individual reported her FECA benefits to SSA at any time from her initial DI application in February 2011 through January 2015,<sup>36</sup> as required by DI program rules. These facts do not present conclusive evidence of fraud. However, the fact that this individual filed for and received FECA payments in the months prior to her application for DI benefits, but subsequently spoke with SSA staff and certified that she had not filed nor intended to file for such benefits, presents an indicator of potential fraud. We consulted with SSA staff to calculate potential DI overpayments for this individual and found that, as of January 2015, SSA made more than \$56,000 in potential DI overpayments to the individual over nearly 4 years. Because SSA was not aware that the 20 individuals we reviewed were receiving concurrent

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<sup>34</sup>Social Security Administration, Office of Budget, Finance, Quality, and Management, *Fiscal Year 2013 Workers’ Compensation and Public Disability Benefit Report* (January 2014).

<sup>35</sup>According to Government Auditing Standards, fraud involves obtaining something of value through willful misrepresentation. Whether an act is, in fact, fraud is a determination to be made through the judicial or other adjudicative system and is therefore a determination beyond the scope of this review. See GAO, *Government Auditing Standards*, [GAO-12-331G](#) (Washington, D.C.: December 2011).

<sup>36</sup>January 2015 was the most recent case-file data available at the time we performed our case-study reviews.

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FECA payments, SSA has not yet established debt-collection efforts or fraud-related penalties for them, should those penalties be necessary.

*Standards for Internal Control in the Federal Government* states that internal controls should generally be designed to assure that ongoing monitoring occurs in the course of normal operations.<sup>37</sup> Our fraud-control framework states that information provided by applicants for government programs should be validated against government or other third-party sources.<sup>38</sup> As discussed in detail later in this report, SSA does not match its data on DI beneficiaries with available data from the FECA program or have other internal controls to identify DI beneficiaries with concurrent FECA payments. Instead, SSA relies on beneficiaries to self-report the receipt of FECA benefits.

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## SSA Is Identifying and Recovering Some DI Overpayment Debt, but Existing Controls Allowed FECA-Related Overpayments to Remain Undetected

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

<sup>38</sup>[GAO-06-954T](#). The Fraud Prevention Framework was developed by GAO and informed by GAO's internal control standards for the federal government. We are currently considering revisions to the Fraud Prevention Framework, which we plan to publish in the summer of 2015.

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SSA Estimates  
Overpayments to  
Individuals Receiving  
Concurrent FECA  
Payments, but  
Weaknesses in Internal  
Controls Allow Potential  
Overpayments to Accrue

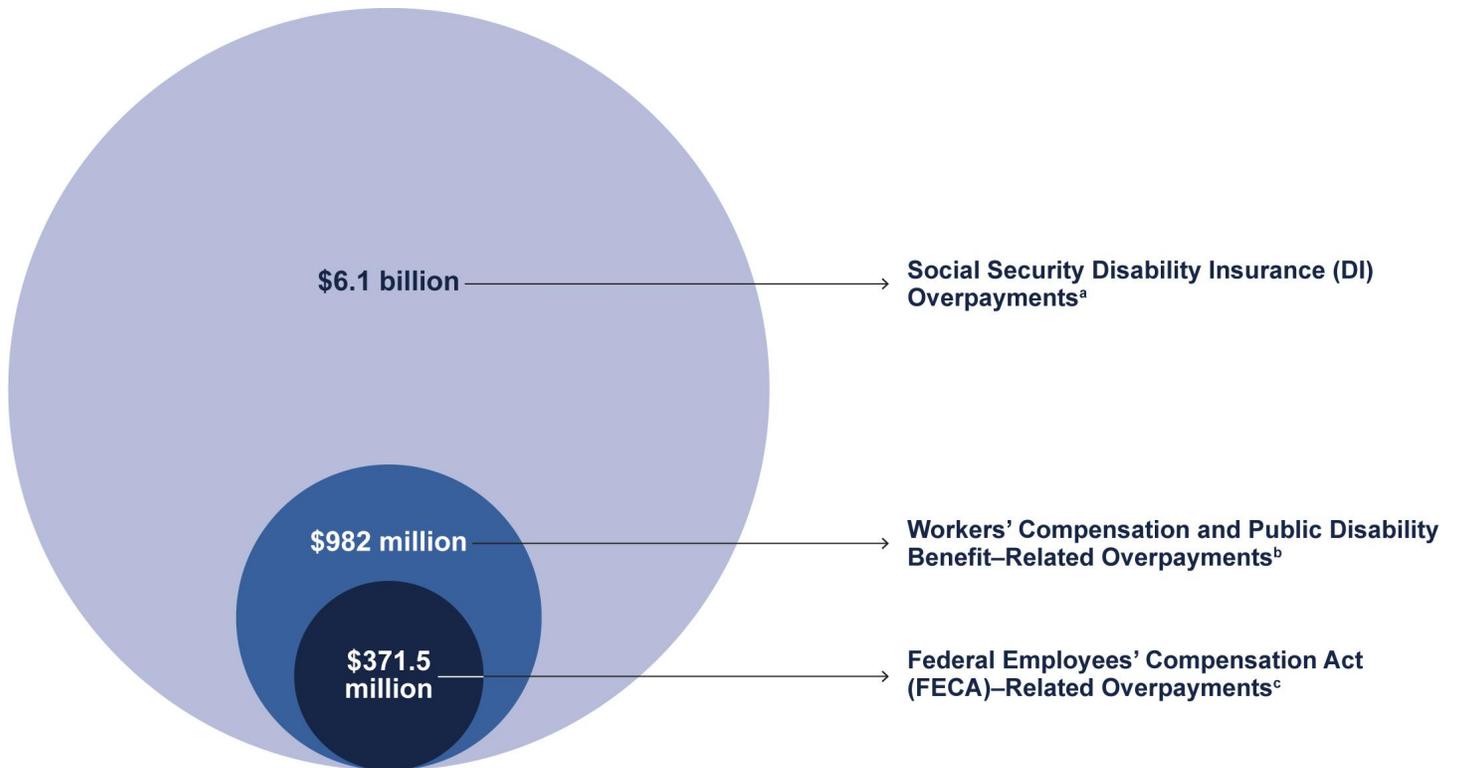
SSA officials told us that the agency made an estimated \$371.5 million in DI overpayments stemming from concurrent FECA benefits that the agency recognized from fiscal year 2009 through fiscal year 2013, but we were unable to determine how much of the \$371.5 million has been collected through the agency's recovery efforts. The estimated \$371.5 million in FECA-related overpayments represents approximately 38 percent of the estimated \$982 million in DI overpayments stemming from all types of workers' compensation and public disability benefits during the same period<sup>39</sup> that the agency recognized and accounts for about 6 percent of the total DI overpayments of more than \$6.1 billion that the agency recognized during that period. Figure 2 presents the total amount of estimated DI overpayment debt during this period, the amount associated with all types of workers' compensation and public disability benefits, and the amount associated with FECA benefits. SSA developed these estimates as part of the agency's annual stewardship reviews, which did not estimate the amount of overpayments that have been collected through the agency's recovery efforts.<sup>40</sup> As such, we were not able to determine how much of the estimated \$371.5 million in overpayments stemming from FECA has been recovered. However, SSA provided us a separate report on the agency's overpayment recovery efforts that uses a different data source and covers a different period than the estimated \$371.5 million in overpayments reported in this paragraph. Appendix III contains a detailed discussion of the separate report on overpayment recovery efforts that SSA provided us during this review.

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<sup>39</sup>Workers' compensation is provided by federal, state, and private entities for work-related injuries and may include wage compensation and medical benefits. FECA benefits are a type of workers' compensation benefit for federal employees. Public disability benefits are benefits that are required by federal, state, and local laws or plans. An individual's disability or injury does not have to be work-related in order to receive public disability benefits. Federal public disability benefits include Civil Service Retirement System disability benefits and Federal Employees Retirement System disability benefits, among others.

<sup>40</sup>SSA performs annual stewardship reviews that provide an accuracy measurement of payments to current beneficiaries. Stewardship review findings provide the basis for SSA's reports to various monitoring authorities as well as reporting requirements contained in the Improper Payments Information Act of 2002. Social Security Administration, Office of Budget, Finance, Quality, and Management, *Fiscal Year 2013 Title II Payment Accuracy Report* (May 2014).

**Figure 2: Estimated Social Security Disability Insurance Overpayments Based on Social Security Administration Stewardship Reviews for Fiscal Years 2009 through 2013**



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-15-531

<sup>a</sup>SSA estimated that \$6.1 billion in DI overpayments were made during the period covering fiscal years 2009 through 2013.

<sup>b</sup>SSA estimated that \$982 million in overpayments were associated with the concurrent receipt of all types of workers' compensation and public disability benefits.

<sup>c</sup>SSA officials stated that an estimated \$371.5 million in overpayments were associated with the concurrent receipt of FECA benefits.

As described above, our review identified instances in which SSA's internal controls did not detect the concurrent receipt of FECA benefits. Consequently, DI overpayments may not have been reduced as required by statute, and potential DI overpayments accrued. During this review, SSA officials told us that SSA relies primarily on beneficiaries to self-report the receipt of FECA benefits. Moreover, our analysis of DI and FECA data and our case studies identified instances in which SSA did not know DI beneficiaries were receiving concurrent FECA benefits, resulting in significant potential DI overpayments. Our match of FECA and DI data showed that SSA's internal controls, which rely on self-reporting, did not

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detect potential DI overpayments for more than 1,000 individuals who received concurrent FECA benefits during our period. Further, our case studies illustrated instances in which SSA potentially overpaid DI beneficiaries who did not report their FECA benefits to SSA. During this review, SSA officials agreed that relying on beneficiaries to self-report benefits presents a challenge in identifying overpayments related to the concurrent receipt of FECA benefits. This is consistent with our May 2001 work in this area, in which we found that SSA largely relies on applicants and beneficiaries to report their receipt of workers' compensation benefits and any changes that occur in the benefit amounts—an approach that makes it difficult for SSA to make accurate benefit payments.<sup>41</sup> Further, the findings of our current work are also consistent with previous reports by the SSA Office of the Inspector General (OIG).<sup>42</sup> For example, in 2010 the SSA OIG concluded that SSA could continue to make DI overpayments to individuals also receiving FECA benefits if the agency did not improve its oversight of concurrent FECA payments.<sup>43</sup>

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<sup>41</sup>GAO, *Workers' Compensation: Action Needed to Reduce Payment Errors in SSA Disability and Other Programs*, [GAO-01-367](#) (Washington, D.C.: May 4, 2001). Among other recommendations stemming from this May 2001 report, we recommended that SSA officials meet with representatives from the workers' compensation insurance industry to determine whether a viable voluntary reporting process could be established that would provide the government with information that periodically identifies worker's compensation beneficiaries. In October 2001, SSA officials met with representatives from The International Association of Industrial Accident Boards and Commissions, which is an organization of workers' compensation professionals consisting of government regulators, business and labor leaders, law firms, insurance carriers, etc. As discussed in greater detail later in this report, since at least fiscal year 2012, SSA and OMB have proposed in budget submissions developing and implementing a system that would require entities that administer workers' compensation benefits to report payment information to SSA.

<sup>42</sup>For example, Social Security Administration, Office of the Inspector General, *Federal Employees' Compensation Act—Social Security Administration Employees*, A-15-06-26123 (September 2006); and *Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments*, A-15-09-19008 (October 2010). As part of its October 2010 report, SSA's OIG recommended that SSA develop a computer-matching agreement with DOL to identify possible DI beneficiaries whose benefits do not reflect the FECA compensation they received. SSA agreed with the recommendation, but in 2012 decided not to implement the recommendation because SSA determined that doing so would not be cost-beneficial. SSA's determination that it would not be cost beneficial to match DOL's FECA data with SSA data to detect and prevent DI overpayments is discussed in greater detail later in this report.

<sup>43</sup>SSA, OIG, *Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments*.

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## SSA Did Not Consider Cost and Benefit Information in Determining the Cost-Effectiveness of Obtaining FECA Data to Prevent Related DI Overpayments

SSA previously stated that it would not be cost-effective to perform a routine match of DOL's FECA data to help prevent DI overpayments, but SSA did not consider specific cost and benefit information in making this determination. Specifically, in 2010 SSA agreed with an SSA OIG recommendation that the agency develop a computer-matching agreement with DOL to identify possible DI beneficiaries whose benefits do not reflect the FECA compensation they received.<sup>44</sup> However, in 2012, SSA subsequently decided not to implement the recommendation, stating that "the costs to explore, establish, and conduct a data match with DOL would far outweigh even the potential benefit of doing so" given the relatively small number of individuals whose FECA benefits might remain undetected by the agency's current process.<sup>45</sup>

We asked SSA to provide us the specific cost and benefit amounts the agency used to determine that a match with FECA data would not be cost-effective, but SSA officials told us that they could not provide any specific cost and benefit amounts to support their determination. Instead, SSA officials stated that they did not believe that pursuing a data match with DOL would be cost-effective because of the small number of FECA beneficiaries whose benefits were offset in prior years. Specifically, agency officials told us that their internal analysis indicated that, in 2010, only 4 percent of DI offsets stemming from workers' compensation were the result of federally administered benefits (including FECA benefits), with the remaining 96 percent of offsets resulting from other workers' compensation or public disability programs, such as state-administered programs. However, the analysis SSA provided did not include information on the costs or savings associated with performing a data match with DOL to prevent DI overpayments to individuals receiving concurrent FECA payments. As such, SSA's determination that pursuing such a match would not be cost-effective was not based on an analysis of specific cost and benefit information. Considering the costs and benefits of this match would assist SSA in determining whether such a match is cost-beneficial. To the extent that the effort would be cost-effective, routinely matching DOL's FECA payment data with DI program data

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<sup>44</sup>As mentioned, in 2010 the SSA OIG found the potential for DI overpayments to occur and continue if SSA did not improve its oversight of concurrent FECA payments. See SSA, OIG, *Federal Employees Receiving Both Federal Employees' Compensation Act and Disability Insurance Payments*.

<sup>45</sup>Social Security Administration, *Audit Recommendation Close-out Information. Audit (SSA) Number: A-15-09-19008* (Washington, D.C.: Aug. 30, 2012).

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would provide SSA with greater assurance that the agency is properly offsetting DI benefits in accordance with federal law. Further, without an assessment of the costs and benefits of obtaining FECA data to prevent DI overpayments, SSA cannot compare this alternative approach for preventing DI overpayments to its current approach, which relies on beneficiaries to self-report any FECA payments they receive.

SSA officials told us that they have spent more than a decade exploring the best way to access DOL's FECA data to prevent DI overpayments, but SSA is not currently performing a routine match of DOL's FECA data with DI program data to identify potential DI overpayments. During this review, both SSA and DOL officials told us that there are no statutory or regulatory barriers that prevent SSA from routinely matching FECA program data with DI program data to prevent DI overpayments. Further, SSA officials provided us documentation indicating that, based on an SSA analysis of costs and benefits performed in 2004, the agency determined a match of DOL's FECA data with SSA data to prevent DI overpayments would be cost beneficial. However, SSA officials told us that in 2006 they attempted to reach a relevant data sharing agreement with DOL that was ultimately unsuccessful, and SSA officials suggested that these efforts ended because of inaction on the part of DOL officials. As mentioned, in 2012 SSA subsequently determined that this data match would not be cost beneficial, but the agency did not consider cost and benefit amounts in making this determination. During this GAO review, DOL officials told us that they were willing to provide SSA the FECA data necessary to identify potential DI overpayments and agreed that sharing the data would be beneficial for identifying these potential overpayments. DOL officials also stated that they believe it is incumbent on SSA to initiate efforts to routinely match SSA's DI data with DOL's FECA data because it is SSA's responsibility to offset DI benefits in accordance with federal law. In May 2015, SSA officials told us that they are exploring the feasibility of this type of data match by resuming discussions with DOL officials.

SSA has also expressed interest in pursuing a broader system for various parties to report the workers' compensation benefits they provide. Since at least fiscal year 2012, SSA and OMB have proposed in budget submissions developing and implementing a system that would require state and private insurers that administer workers' compensation benefits to report payment information to SSA, which SSA would use to offset DI

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benefits as required.<sup>46</sup> The proposal includes a request for \$10 million to offset the costs of implementation to entities that would report to SSA. We asked SSA to provide us additional detail on the costs and savings associated with this proposal, but SSA officials told us that the agency did not conduct any cost-benefit analysis related to this legislative proposal, and they attributed the amount of the cost of implementation to OMB. Without specific cost and benefit information, we are unable to determine whether this proposal would be cost-effective.

*Standards for Internal Control in the Federal Government* state that management should design and implement internal controls based on the related cost and benefits.<sup>47</sup> OMB has also issued guidance on what agencies should consider in conducting a sound analysis of benefits and costs.<sup>48</sup> For example, this guidance states that a program may be justified on economic grounds if its benefits outweigh its costs. In the context of this review, making such a determination in accordance with OMB guidance would involve comparing the costs and benefits of alternatives to the agency's current approach for reducing the potential for DI overpayments to individuals receiving concurrent FECA benefits, an approach that relies on beneficiaries to self-report any FECA benefits they receive. Alternatives to the agency's current approach may include, among others, obtaining currently available FECA data to detect and prevent potential overpayments. Comparing alternatives for reducing the potential for DI overpayments to individuals receiving concurrent FECA payments would help SSA to determine which option presents the greatest net benefits in accordance with OMB guidance and therefore presents the best opportunity to detect and prevent these DI overpayments. As previously described, SSA estimated that the agency

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<sup>46</sup>Under the SSA and OMB proposal, the entities required to report payment information to SSA include states, local governments, private insurers, and other entities that administer workers' compensation and public disability benefits.

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

<sup>48</sup>OMB Circular No. A-94.

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made approximately \$371.5 million in FECA-related DI overpayments from fiscal year 2009 through fiscal year 2013.<sup>49</sup>

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## Conclusions

The DI program provides an important safety net for disabled beneficiaries. However, during a time of growing concern about the solvency of the DI trust fund, it is important for SSA to take every opportunity to help improve the financial status of the program. This includes ensuring that the agency reduces DI benefit payments to individuals whose combined DI and FECA payments exceed the statutory limit. Our case-study review of individuals receiving both DI and FECA benefits showed instances in which SSA was not aware that individuals were receiving benefits beyond the statutory limit and consequently overpaid these individuals, in some cases for more than a decade, because SSA relied on its beneficiaries to self-report their FECA payments, an approach that did not provide SSA the information it needed to prevent these overpayments. Reviewing the potential DI overpayments identified in our case studies, which totaled more than \$100,000 each for some individuals, and establishing debt-collection efforts and fraud-related penalties, as appropriate, would help SSA to ensure that the agency does not continue to overpay these beneficiaries, who may face economic hardship in repaying these large debts.

Additionally, our case studies showed instances in which beneficiaries did report their FECA benefits to SSA, but SSA staff did not obtain proof of these benefit payments as required, which resulted in SSA making significant potential overpayments to these beneficiaries. Reviewing the

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<sup>49</sup>OMB has established guidance for federal agencies on reporting, reducing, and recovering improper payments as required by the Improper Payments Information Act of 2002. Agencies are required to identify programs that may be susceptible to significant improper payments. For fiscal year 2014 and beyond, "significant improper payments" is defined as gross annual improper payments in the program exceeding (1) both 1.5 percent of program outlays and \$10 million of all program or activity payments during the fiscal year reported or (2) \$100 million (regardless of the improper payment error rate). In its fiscal year 2014 *Agency Financial Report*, SSA reported that its DI program is susceptible to significant improper payments, and reported estimated improper payments along with efforts to reduce and recover improper payments. The OMB guidance we refer to here is Office of Management and Budget, *Appendix C to Circular No. A-123, Requirements for Effective Estimation and Remediation of Improper Payments*, OMB Memorandum M-15-02 (Washington, D.C.: Oct. 20, 2014); and *Financial Reporting Requirements – Revised*, OMB Circular No. A-136 (Washington, D.C.: Sept. 18, 2014). The SSA Agency Financial Report we refer to here is SSA, *Agency Financial Report, Fiscal Year 2014* (Nov. 10, 2014).

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instances described in our report in which SSA staff did not obtain proof of FECA benefits reported by DI beneficiaries and determining why the staff did not do so and whether this is a pervasive problem could better position SSA to design appropriate controls or other efforts such as staff training to help ensure SSA staff obtain proof of workers' compensation payments, as required by SSA policy. By taking these actions, SSA would have better assurance that its staff are identifying and preventing DI overpayments to individuals who dutifully report their benefits to SSA.

Our review also shows that while SSA has proposed a system for collecting information on all types of workers' compensation received by DI beneficiaries, it may still be missing an opportunity to prevent potential overpayments to DI beneficiaries who also receive FECA benefits. In particular, SSA decided not to pursue a routine match of DOL's FECA data with DI program data that could help the agency identify potential overpayments to DI beneficiaries who do not report their FECA benefits to SSA because SSA determined that such matching would not be cost effective. However, this decision did not consider the costs and benefits of such a match. As such, it remains unclear whether the costs associated with pursuing a match with FECA data to prevent DI overpayments would exceed the benefits. Comparing the costs and benefits of alternatives for reducing DI overpayments to individuals receiving concurrent FECA payments—which could include routinely matching DOL's FECA program data with DI program data to detect potential DI overpayments stemming from FECA benefits—would help SSA to determine whether these alternatives could generate savings for the DI program by identifying and preventing potential DI overpayments.

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## Recommendations for Executive Action

To improve SSA's ability to detect, prevent, and recover potential DI benefit overpayments due to the concurrent receipt of FECA benefits, we recommend that the Commissioner of Social Security take the following four actions:

- Review the potential DI overpayments resulting from FECA benefits identified in our case studies, as well as any indicators of fraudulent activity related to FECA benefits that were not self-reported by DI beneficiaries, and establish debt-collection efforts and fraud-related penalties, as appropriate.
- Review the instances described in our report in which SSA staff did not obtain proof of FECA benefits that were reported by DI beneficiaries, and

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- determine the reasons for these occurrences and whether this is a pervasive problem; and
  - if necessary, design appropriate controls or make other efforts, such as staff training, to help ensure SSA staff obtain proof of workers' compensation payments, as required by SSA policy.
  - In accordance with OMB guidance, compare the costs and benefits of alternatives to SSA's current approach for reducing the potential for overpayments that result from the concurrent receipt of FECA benefits, which relies on beneficiaries to self-report any FECA benefits they receive. These alternatives could include, among others, routinely matching DOL's FECA program data with DI program data to detect potential DI overpayments.
  - Strengthen internal controls designed to prevent DI overpayments due to the concurrent receipt of FECA benefits by implementing the alternative that provides the greatest net benefits.

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## Agency Comments

We provided a draft of this report to SSA and DOL for comment. In its written comments, reproduced in appendix IV and summarized below, SSA stated that although the agency believes improper payments caused by DI beneficiaries receiving FECA benefits represent a small portion of all DI overpayments, it agreed with all four recommendations we made to the Commissioner to improve SSA's ability to detect, prevent, and recover potential DI benefit overpayments due to the concurrent receipt of FECA benefits.

In response to our first recommendation, to review potential DI overpayments and any indicators of fraudulent activity identified in our case studies, and establish debt-collection efforts and fraud-related penalties as appropriate, SSA said it would review the cases that we identified where it did not detect the receipt of FECA benefits. SSA also proposed reviewing a sample of individuals that our report identifies as being at risk of overpayments due to the concurrent receipt of FECA benefits, including some individuals receiving FECA payments that SSA had not detected at the time of our work.

In response to our second recommendation, to review the instances described in our report in which SSA staff did not obtain proof of FECA benefits reported by DI beneficiaries and determine the reasons for those

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occurrences, SSA said it will determine the reasons for these occurrences and determine if additional efforts are needed.

In response to our third recommendation, to compare the costs and benefits of alternatives to relying on beneficiary self-reporting, which could include routinely matching DOL's FECA data with SSA's DI data to detect potential DI overpayments, SSA said it will analyze alternatives to its current FECA benefit processes by December 31, 2015. SSA agreed that there is potential for improvement in the agency's process for detecting and preventing overpayments due to the concurrent receipt of FECA benefits and that the agency would assess its current process. SSA also stated that the agency is working with DOL on a new data exchange to access data on FECA payments. Further, SSA stated that the agency hopes to reduce its dependence on beneficiary self-reporting and move toward greater reliance on data from authoritative sources to administer its programs.

In response to our fourth recommendation, to strengthen internal controls designed to prevent DI overpayments due to the concurrent receipt of FECA benefits by implementing the alternative that provides the greatest net benefits, SSA said that once it conducts the analysis and case reviews, as described above, it will identify and decide on additional steps needed to strengthen internal controls on the concurrent receipt of DI and FECA benefits.

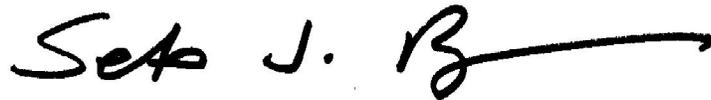
Because SSA has not yet initiated specific actions to implement our recommendations, it is too early for us to determine whether the actions the agency outlined in its official comments on a draft of this report would fully address the intent of our recommendations. We will continue to monitor the agency's efforts in this area. SSA also provided additional technical comments, which have been incorporated in the report as appropriate. In an e-mail received on June 16, 2015, DOL's Fiscal Branch Chief, Division of Federal Employees' Compensation, did not provide comments on the findings but noted that SSA had contacted DOL to set up a meeting to discuss exchanging data, including FECA data.

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As agreed with your offices, unless you publicly announce the contents of this report earlier, we plan no further distribution until 30 days from the report date. At that time, we will send copies to the Commissioner of Social Security, the Secretary of Labor, and other interested parties. In addition, the report will be available at no charge on the GAO website at <http://www.gao.gov>.

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If you or your staff have any questions concerning this report, please contact me at (202) 512-6722 or [bagdoyans@gao.gov](mailto:bagdoyans@gao.gov). Contact points for our Offices of Congressional Relations and Public Affairs may be found on the last page of this report. GAO staff who made key contributions to this report are listed in appendix V.

A handwritten signature in black ink that reads "Seto J. Bagdoyan". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Seto J. Bagdoyan  
Director, Forensic Audits and Investigative Service

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*List of Requesters*

The Honorable Ron Johnson  
Chairman  
Committee on Homeland Security and Governmental Affairs  
United States Senate

The Honorable Susan Collins  
Chairman  
Special Committee on Aging  
United States Senate

The Honorable Jason Chaffetz  
Chairman  
The Honorable Elijah Cummings  
Ranking Member  
Committee on Oversight and Government Reform  
House of Representatives

The Honorable Paul Ryan  
Chairman  
The Honorable Sander Levin  
Ranking Member  
Committee on Ways and Means  
House of Representatives

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

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# Appendix I: Scope and Methodology

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To determine the extent to which the Social Security Administration (SSA) has detected individuals receiving concurrent Federal Employees' Compensation Act (FECA) benefits that may result in potential Disability Insurance (DI) overpayments, we compared DI beneficiary data from the Master Beneficiary Record (MBR) with FECA data from the Department of Labor's (DOL) Integrated Federal Employees' Compensation System (iFECS). This comparison allowed us to identify individuals who received concurrent DI and FECA benefits in at least 1 month from July 1, 2011 through June 30, 2014—the most-current data available at the time we began our work.<sup>1</sup> To determine whether individuals received a concurrent DI and FECA payment during at least 1 month of this period, we used DI and FECA data to identify payments for the same calendar month. Specifically, SSA officials told us that the agency uses the monthly benefit amount, or benefits due, to determine whether an offset is necessary. Therefore, our analysis uses the monthly benefits due rather than the benefits paid to determine if an offset might be necessary. Similarly, we identified concurrent FECA payments according to the date FECA benefits were due rather than the date the benefits were paid. For example, our analysis would consider an individual to have received concurrent DI and FECA benefits in the same calendar month if (1) the individual's MBR records indicate that she or he was due DI benefits in July 2011 and (2) the individual's iFECS records indicate she or he was due FECA benefits for the period ending in July 30, 2011. It is important to note that DI benefits are payable monthly, with 12 monthly payments in a calendar year. However, FECA "periodic roll" benefits are based on a 28-day pay cycle, resulting in 13 payments in a calendar year. When SSA offsets DI benefits based on the receipt of FECA benefits, SSA's calculation makes adjustments for this difference. When we consulted with SSA staff to calculate potential overpayments for our 20 case studies, as described below, our calculations also accounted for this difference.

It is important to note that the MBR and iFECS data we received did not contain the detailed information necessary for us to determine the exact

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<sup>1</sup>The MBR is an electronic record of all DI beneficiaries and contains information on beneficiaries' entitlement status and benefit payments, among other information. iFECS provides a case management system to support the core business functions in administering FECA benefits. The period of July 1, 2011 through June 30, 2014 represents DOL's chargeback years 2012 through 2014. The term "chargeback" refers to the process by which DOL bills employing agencies for their compensation costs incurred during the preceding year. A single chargeback year is from July 1 through June 30.

amount of DI overpayments that SSA may have made to all individuals in our population. Specifically, SSA's rules for calculating the DI offset for FECA benefits stipulate that certain benefit increases, such as cost of living adjustments (COLA), are to be protected from offset. To do this, SSA must identify the first possible month that an individual received both FECA and DI—that is, the first possible month of offset, regardless of whether the offset is actually imposed—and exclude from offset any COLAs to the DI benefit that occur in subsequent months.<sup>2</sup> Because the DI and FECA payment data we used to perform this work are limited to July 1, 2011 through June 30, 2014, we were unable to identify any DI or any FECA payments prior to July 1, 2011. Further, the iFECs data do not contain a variable that indicates the first date that FECA benefits are payable, meaning that we could not use the data to identify whether the first possible month of offset occurred before the time frame of our data extracts. Thus, we could not use the electronic data we received to identify the first possible month of offset for all individuals in our population, and consequently we could not calculate the exact amount of potential DI benefit overpayments that occurred during this period in accordance with SSA policy for all individuals in our population.

In consideration of SSA instruction on which FECA payments should be considered for offset, our analysis includes only certain FECA payments from DOL's iFECs data. First, our analysis of concurrent payments includes only primary DI and FECA beneficiaries. Specifically, our analysis includes only primary DI beneficiaries and primary FECA beneficiaries and therefore does not include individuals who received these payments as dependents or auxiliaries, such as spouses or children. According to SSA instruction, the workers' compensation payment offset applies to payments made directly to disabled workers rather than payments to dependents.<sup>3</sup> Second, our analysis includes only those FECA payments categorized as disability payments, payments for loss of wage earning capacity, and schedule awards.<sup>4</sup> As such, our analysis does not include payments for medical bills paid under FECA. According to SSA instruction, certain medical bills are excluded from

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<sup>2</sup>Social Security Administration, Program Operations Manual System (POMS), section DI 52150.055.

<sup>3</sup>SSA POMS, section DI 52150.035.

<sup>4</sup>Schedule awards are specific payment amounts made over a specific period for the loss of certain body functions, such loss of hearing, loss of vision, loss of arms or legs, etc.

offset;<sup>5</sup> however, the iFECS data we received did not contain sufficient data for us to determine which FECA payments for medical bills would require a DI benefit offset in accordance with this SSA instruction. Third, our analysis includes only FECA cases whose current pay status indicated these payments were made on the daily roll, periodic roll, or as schedule awards, which SSA instruction describes as payments that may require offset.<sup>6</sup> Consequently, our analysis does not include payments for death benefits or payments in cases that were under administrative review, among other pay statuses. In addition, our analysis includes only individuals whose FECA compensation was paid for work performed as a federal civilian. As such, our analysis does not include some types of FECA payments that may require a DI benefit offset under certain conditions. For example, SSA Program Operations Manual System (POMS) section DI 52130.001 indicates that certain public disability benefits, such as military disability benefits and Part B Black Lung Benefits from the Federal Mine Safety and Health Act would only require a DI benefit offset under certain conditions. Because the iFECS and MBR data we received do not contain sufficient evidence for us to determine which of these payments in the iFECS data may require a DI benefit offset, our analysis excludes such payments.

Our analysis may understate the population of individuals receiving concurrent DI and FECA benefits for two reasons. First, our analysis does not include individuals who received FECA benefits that may require a DI benefit offset under certain circumstances, such as military disability payments, because the MBR and iFECS data do not contain sufficient information for us to determine which of these payments would require a DI benefit offset. Second, our MBR extract consists of primary DI beneficiaries in current pay status as of October 2014; thus, our analysis does not include certain DI beneficiaries who may have received concurrent FECA payments during our period, but whose DI benefits

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<sup>5</sup>SSA POMS, section DI 52150.050.

<sup>6</sup>SSA POMS section DI 52150.035 states that workers' compensation amounts paid on other than a monthly basis, including lump-sum payments, cause DI offset. The daily roll, periodic roll, and schedule award payments used in our analysis therefore may require a DI benefit offset in accordance with this SSA instruction.

were terminated or otherwise not in current pay status as of October 2014.<sup>7</sup>

As part of this work, we also used the DI and FECA data we obtained to identify the subpopulation of individuals who received FECA benefits that SSA had not detected at the time of our work. To do this, we identified individuals whose MBR records contained no value in the variable indicating an injury or illness compensation source.<sup>8</sup> SSA officials confirmed that this approach is an accurate way of identifying whether the agency is aware that a DI beneficiary is receiving concurrent FECA benefits. We analyzed this same variable to determine what type of workers' compensation payments SSA had detected, such as FECA payments or payments made under a state-administered workers' compensation program.

To determine the extent to which internal controls that SSA relies on help prevent DI overpayments due to the concurrent receipt of FECA benefits, we reviewed supporting documentation describing relevant internal controls and interviewed knowledgeable agency officials. We compared those internal controls to *Standards for Internal Control in the Federal Government* and our Fraud Prevention Framework.<sup>9</sup> As part of this work, we also selected 20 individuals for case-study examples that illustrate how these internal controls did or did not prevent SSA from making potential overpayments to beneficiaries who received concurrent FECA benefits. Specifically, we randomly selected 10 individuals who received 15 or more concurrent FECA payments during a single calendar year that were not detected by SSA. Individuals who received 15 or more undetected concurrent FECA and DI payments in a single calendar year represent approximately the top 5 percent of individuals who received undetected concurrent payments for a single calendar year. We believe

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<sup>7</sup>The MBR data we received contains an extract of beneficiary data as of October 2014, which was the most-recent data available at the time we began our work.

<sup>8</sup>The MBR variable we refer to here is INIL-COMP-SRCE.

<sup>9</sup>GAO, *Standards for Internal Control in the Federal Government*, [GAO/AIMD-00-21.3.1](#) (Washington, D.C.: November 1999); and *Individual Disaster Assistance Programs: Framework for Fraud Prevention, Detection, and Prosecution*, [GAO-06-954T](#) (Washington, D.C.: July 12, 2006). The Fraud Prevention Framework was developed by GAO and informed by GAO's internal control standards for the federal government. We are currently considering revisions to the Fraud Prevention Framework, which we plan to publish in 2015.

the number of undetected concurrent payments these individuals received in a single year suggests that they may be at a higher risk of receiving overpayments. We also randomly selected 10 individuals who received 14 or fewer undetected concurrent FECA payments during a single calendar year. We then consulted with SSA staff to determine whether SSA overpaid these beneficiaries due to the concurrent receipt of FECA benefits. Specifically, we first obtained the applicable limit for all 20 individuals from SSA.<sup>10</sup> We then used DOL's Agency Query System to access the complete FECA payment history for these 20 individuals. Next, we consulted with SSA staff, who input the primary source FECA payment information from DOL into SSA's Interactive Computations Facility, to calculate relevant DI benefit offsets and any DI benefit overpayments for these 20 individuals in accordance with SSA policy. As part of this work, we gathered additional information regarding these individuals' status in the DI program, such as the dates the individuals filed and were approved for benefits. Because we selected a small number of individuals for further review, these examples cannot be generalized to the population of individuals receiving concurrent DI and FECA payments.

To determine the extent to which SSA is identifying and recovering potential DI overpayments, we reviewed the *SSA Fiscal Year 2013 Title II Payment Accuracy Report*<sup>11</sup> and analyzed data from SSA's Recovery of

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<sup>10</sup>As mentioned, the applicable limit referred to here is the higher of either (1) 80 percent of the individual's average current earnings or (2) total family benefits. SSA calculates the average current earnings based, in part, on previous wages earned. For more information on average current earnings, see SSA, POMS section DI 52150.010. SSA's calculation of total family benefits includes the total of all monthly benefits for the primary beneficiary and any auxiliaries, such as spouses and children. For more information on total family benefits, see SSA POMS, section DI 52150.005.

<sup>11</sup>SSA performs annual stewardship reviews that provide an accuracy measurement of payments to beneficiaries currently on SSA program rolls. Stewardship review findings provide the basis for SSA's reports to various monitoring authorities as well as reporting requirements contained in the Improper Payments Information Act of 2002. Social Security Administration, Office of Budget, Finance, Quality, and Management, *Fiscal Year 2013 Title II Payment Accuracy Report* (May 2014).

Overpayments, Accounting and Reporting (ROAR) system.<sup>12</sup> Specifically, we used SSA's *Fiscal Year 2013 Title II Payment Accuracy Report* and separate information reported by SSA to describe SSA's efforts to identify DI overpayments to individuals receiving concurrent FECA payments from fiscal year 2009 through fiscal year 2013. As mentioned, the report containing SSA estimates of DI overpayments to individuals receiving concurrent FECA payments did not estimate the amount of overpayments that have been collected through the agency's recovery efforts. As such, we were not able to determine how much of the estimated overpayments stemming from FECA has been recovered. However, SSA provided us a separate report on the agency's overpayment recovery efforts that uses a different data source and covers a different period than the *Fiscal Year 2013 Title II Payment Accuracy Report*. Specifically, we used data reported from SSA's ROAR system to describe SSA's efforts to recover DI overpayment debt established in fiscal years 2010 through 2014, which were the most-current data available when we began our work. The amount of DI overpayment debt we describe refers to debts established during fiscal years 2010 through 2014. However, it is possible that these overpayment debts resulted from events that took place in prior years. For example, it is possible that SSA overpaid DI benefits in fiscal year 2009, but the agency did not discover the overpayment and establish the debt until fiscal year 2010. The status of the DI debts and recovery efforts reported here is current as of November 2014, which is the date of the data report generated from SSA's ROAR system. We also reviewed supporting documentation and interviewed SSA officials to assess the extent to which SSA has considered cost and benefit information in identifying FECA payment information as part of the agency's efforts to prevent DI overpayments. We compared this information to *Standards for Internal Control in the Federal Government* and Office of Management and Budget (OMB) guidance on analyzing the benefits and costs of federal programs.<sup>13</sup>

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<sup>12</sup>SSA uses the ROAR system to track information regarding the recovery of overpayment of debts, including overpayment debts related to all workers' compensation and public disability benefits. ROAR contains financial information on SSA's accounts receivable for the DI program. For example, the ROAR system contains the overpayment amounts, the causes of the overpayment, the collection status of the overpayment, waiver and reconsideration information, and information about the individual who is liable for the debt, among other information.

<sup>13</sup>See [GAO/AIMD-00-21.3.1](#). The OMB guidance we refer to here is OMB Circular No. A-94 (Oct. 29, 1992), available at 57 Fed. Reg. 53519 (Nov. 10, 1992).

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To determine the reliability of the SSA disability data and DOL's FECA data, we performed electronic testing to determine the validity of specific data elements that we used to perform our work. We also reviewed documentation related to the MBR and iFECS databases and interviewed officials responsible for compiling and maintaining relevant DI and FECA data. In addition, we reviewed detailed DI and FECA case files for the nongeneralizable selection of 20 individuals selected as described above who received concurrent DI and FECA payments to corroborate specific DI data and FECA data for those individuals. We also reviewed documentation related to the SSA data on overpayment recovery efforts and interviewed knowledgeable agency officials about those efforts. Based on our discussions with agency officials and our own testing, we concluded that the data elements used for this work were sufficiently reliable for the purposes of this report.

# Appendix II: Potential Overpayments to 20 Case-Study Individuals

As part of our work to determine the extent to which internal controls that the Social Security Administration (SSA) relies on help to prevent Disability Insurance (DI) overpayments due to the concurrent receipt of Federal Employees' Compensation Act (FECA) benefits, we selected 20 individuals for case-study examples that illustrate how these internal controls did or did not prevent SSA from making potential overpayments to beneficiaries who received concurrent FECA benefits. Specifically, we randomly selected 10 individuals who received 15 or more concurrent FECA payments during a single calendar year that were not detected by SSA.<sup>1</sup> We believe the number of undetected concurrent payments these individuals received in a single year suggests that they may be at a higher risk of receiving overpayments. We also randomly selected 10 individuals who received 14 or fewer undetected concurrent FECA payments during a single calendar year. We then consulted with SSA staff to calculate any potential overpayments using primary source payment data from the Department of Labor's (DOL) FECA program and SSA's DI program. We found that SSA's internal controls did not prevent potential DI overpayments to any of the 20 cases we selected for further review. Table 1 shows additional details on the results of our case-study reviews, including the total potential overpayments for each of the case-study individuals. Because we selected a small number of individuals for further review, these examples cannot be generalized to the population of individuals receiving concurrent DI and FECA payments.

**Table 1: Details for 20 Nongeneralizable Case-Study Individuals Who Received Concurrent Social Security Disability Insurance (DI) and Federal Employees' Compensation Act (FECA) Benefits from July 2011 through June 2014**

GAO case number	Reported workers' compensation to Social Security Administration (SSA)?	SSA staff obtained proof of workers' compensation reported?	Total years of potential overpayments	Total potential overpayment (rounded to nearest thousand dollars)
1	Y	N	More than 5	\$51,000
2	Y	N	More than 11	\$192,000
3	N	n/a <sup>a</sup>	More than 3	\$57,000
4	Y	N	More than 15	\$125,000
5	N	n/a	More than 10	\$131,000

<sup>1</sup>Individuals who received 15 or more undetected concurrent FECA and DI payments in a single calendar year represent approximately the top 5 percent of individuals who received undetected concurrent payments for a single calendar year.

**Appendix II: Potential Overpayments to 20  
Case-Study Individuals**

<b>GAO case number</b>	<b>Reported workers' compensation to Social Security Administration (SSA)?</b>	<b>SSA staff obtained proof of workers' compensation reported?</b>	<b>Total years of potential overpayments</b>	<b>Total potential overpayment (rounded to nearest thousand dollars)</b>
6	N	n/a	More than 10	\$117,000
7	Y	N	More than 1	\$25,000
8	N	n/a	More than 1	\$29,000
9	N	n/a	More than 3	\$58,000
10	Y	N	More than 3	\$52,000
11	N	n/a	More than 3	\$41,000
12	Y	N	More than 17	\$130,000
13	N	n/a	More than 6	\$11,000
14	N	n/a	Less than 1	\$9,000
15	N	n/a	More than 20	\$206,000
16	N	n/a	More than 10	\$93,000
17	Y	N	More than 7	\$156,000
18	N	n/a	Less than 1	\$3,000
19	N	n/a	More than 1	\$23,000
20	Y	N	More than 11	\$131,000

Source: GAO and SSA calculations using SSA DI program data and Department of Labor (DOL) FECA data. || GAO-15-531

<sup>a</sup>Some values are not applicable (n/a) because the individual did not report workers' compensation to SSA.

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# Appendix III: SSA Reported on Its Efforts to Recover Workers' Compensation–Related Overpayments Established during Fiscal Years 2010 through 2014

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Using data from the agency's Recovery of Overpayments, Accounting and Reporting (ROAR) system,<sup>1</sup> the Social Security Administration (SSA) provided us a report on Disability Insurance (DI) overpayment debt stemming from workers' compensation and public disability benefits, including Federal Employees' Compensation Act (FECA) benefits, for fiscal years 2010 through 2014.<sup>2</sup> However, this report did not distinguish FECA-related overpayment debt from overpayment debt stemming from other workers' compensation programs. According to this report, SSA established approximately \$718 million in DI overpayment debt related to workers' compensation and public disability benefits during fiscal years 2010 through 2014.<sup>3</sup> This \$718 million represents about 8 percent of the approximately \$8.7 billion in total DI overpayment debt established during this period. According to the SSA report, the agency had collected approximately \$361 million (or about 50 percent) of the overpayment debt related to workers' compensation and public disability benefits as of November 2014. Figure 3 illustrates the amount of DI overpayment debt related to workers' compensation and public disability benefits that SSA had recovered, waived, and conditionally written off, in addition to the amount that SSA had not resolved.

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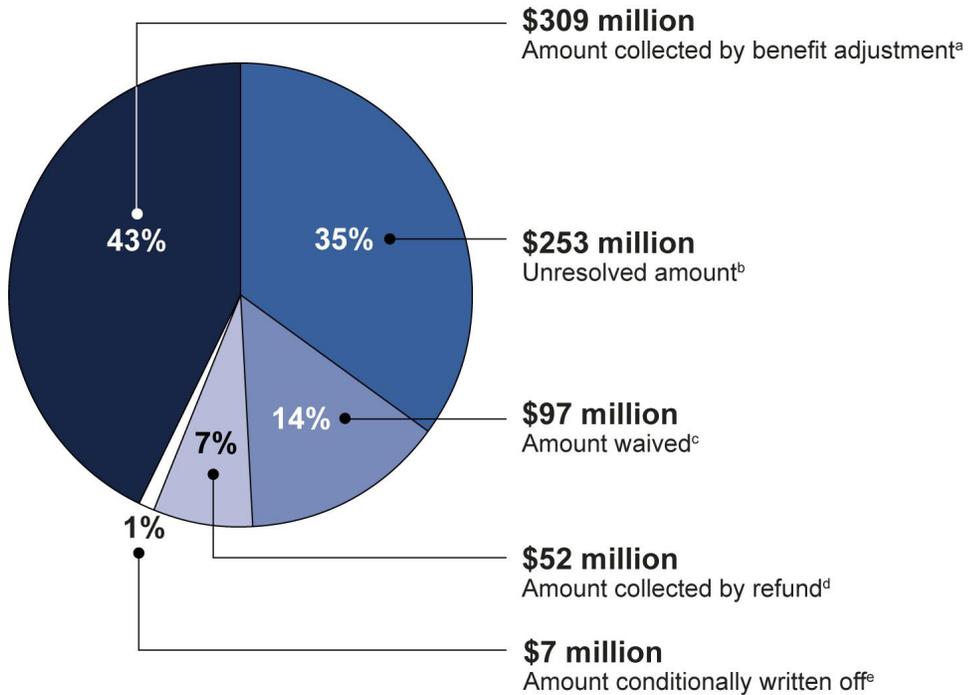
<sup>1</sup>SSA uses the ROAR system to track information regarding the recovery of overpayment of debts, including overpayment debts related to all workers' compensation and public disability benefits. ROAR contains financial information on SSA's accounts receivable for the DI program. For example, the ROAR system contains the overpayment amounts, the causes of the overpayment, the collection status of the overpayment, waiver and reconsideration information, and information about the individual who is liable for the debt, among other information.

<sup>2</sup>As previously discussed, SSA has several methods for recovering DI overpayment debts, including those related to FECA benefits. To recover DI overpayment debts, SSA notifies the beneficiary, provides due process, and attempts to recover the overpayment in its entirety. Among other methods, SSA may also withhold full or partial payment of DI benefits to recover the full amount of the overpayment or may attempt to recover payments due from the individual's estate or subsequent survivor's benefits.

<sup>3</sup>The amount of overpayment debt refers to debts established during fiscal years 2010 through 2014. However, it is possible that these overpayment debts resulted from events that took place in prior years. For example, it is possible that SSA overpaid DI benefits in fiscal year 2009, but the agency did not discover the overpayment and establish the debt until fiscal year 2010. The status of the DI debts and recovery efforts reported here is current as of November 2014.

**Appendix III: SSA Reported on Its Efforts to Recover Workers' Compensation-Related Overpayments Established during Fiscal Years 2010 through 2014**

**Figure 3: The Social Security Administration's (SSA) Efforts to Collect \$718 million in Disability Insurance (DI) Overpayment Debts Related to Workers' Compensation and Public Disability Benefits Established in Fiscal Years 2010 through 2014 (Current Status as of November 2014)**



Source: GAO analysis of Social Security Administration (SSA) data. | GAO-15-531

<sup>a</sup>The amount collected by benefit adjustment refers to overpayment debts that SSA recovered by reducing subsequent benefits paid to the individual.

<sup>b</sup>The amount that is unresolved refers to overpayment debts that have not been collected, waived, or conditionally written off as of November 2014. These debts could include new debt, debt under appeal, debt in a collection arrangement, and debt not in a collection arrangement.

<sup>c</sup>The amount waived refers to the amount of overpayments forgiven because SSA determined that the overpaid person: (1) is without fault in causing the debt; and (2) recovery would either defeat the purpose of the act or be against equity and good conscience. A waiver permanently terminates collection of a debt and removes the debt from SSA's balance sheet.

<sup>d</sup>The amount of debt collected by refund refers to debts to SSA paid off by the individual in lump sum or installments.

<sup>e</sup>The amount of debt conditionally written off refers to debts that are removed from SSA's accounts receivable balance. However, SSA continues recovery efforts of qualified written-off debts through external collection activities, such as the Treasury Offset Program, credit bureau reporting and mandatory cross program recovery. If these efforts result in a collection or the individual becomes reentitled to benefits, SSA will reestablish the debt.

As of November 2014, SSA had recovered approximately \$309 million (about 43 percent) of the DI overpayment debt related to workers' compensation and public disability benefits by adjusting SSA benefit

payments and approximately \$52 million (about 7 percent) through refunds paid by the debtor to SSA.<sup>4</sup> 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.<sup>5</sup> SSA had waived slightly more than \$97 million (about 14 percent) of the DI overpayment debt related to workers' compensation and public disability benefits during this period. Under certain circumstances, such as when SSA is unable to locate the individual owing a debt to the agency, or when the cost of collection is likely to be more than the amount recovered, SSA may write off and cease active internal collection efforts, but may continue to pursue debt collection through external methods, such as by referring the written-off debt to the Department of the Treasury for collection through the Treasury Offset Program.<sup>6</sup> SSA had conditionally written off approximately \$7 million (less than 1 percent) of the DI overpayment debt related to workers' compensation and public disability benefits during this period. Approximately \$253 million (about 35 percent) of the DI overpayment debt related to workers' compensation and public disability benefits during this period remained unresolved as of November 2014.

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<sup>4</sup>According to SSA officials, benefit adjustment refers to SSA collecting overpayment debt by withholding all or part of benefit payments. In this context, a refund refers to payments made by the debtor to SSA from a non-SSA source, such as when beneficiaries pay SSA from a personal bank account.

<sup>5</sup>20 C.F.R. § 404.512.

<sup>6</sup>The Treasury Offset Program, which is administered by the Department of the Treasury, allows SSA to recover debts by offsetting federal payments due to the debtor. Payments that may be offset for debt recovery include tax refunds, federal salary, and other administrative offsets. According to SSA officials, the Treasury Offset Program includes agreements with certain states that allow SSA to collect debts by offsetting state payments.

# Appendix IV: Comments from the Social Security Administration



**SOCIAL SECURITY**  
Office of the Commissioner

June 18, 2015

Mr. Seto Bagdoyan  
Director, Forensic Audits and Investigative Service  
United States Government Accountability Office  
441 G. Street, NW  
Washington, DC 20548

Dear Mr. Bagdoyan:

Thank you for the opportunity to review the draft report, "DISABILITY INSURANCE: Actions Needed to Help Prevent Potential Overpayments to Individuals Receiving Concurrent Federal Workers' Compensation" (GAO-15-531). Please see our attached comments.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Frank Cristaudo".

Frank Cristaudo  
Executive Counselor to the Commissioner

Enclosure

SOCIAL SECURITY ADMINISTRATION BALTIMORE, MD 21235-0001

**COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE DRAFT REPORT, “DISABILITY INSURANCE: ACTIONS NEEDED TO HELP PREVENT POTENTIAL OVERPAYMENTS TO INDIVIDUALS RECEIVING CONCURRENT FEDERAL WORKERS’ COMPENSATION” (GAO-15-531)**

Thank you for the opportunity to review the draft report. We take seriously our responsibility to effectively, efficiently, and accurately administer our programs, and protect trust fund and tax dollars by curbing improper payments. It is a cornerstone of our mission. Our Disability Insurance (DI) benefit payments—that help replace a portion of the lost earnings of workers who can no longer work due to significant health problems—are very accurate. Our current internal quality reviews indicate that over 99 percent of payments are free of overpayment or underpayment.

Although improper payments caused by DI beneficiaries also receiving Federal Employees Compensation Act (FECA) benefits represent a small portion of the relatively small amount of DI overpayments, we agree there is potential for improvement and we will assess our current processes. In addition, we are committed to reducing improper payments and have identified several strategic initiatives to assist us in this endeavor, some of which involve data exchanges, systems improvements to identify cases, and alerts to ensure timely corrective action on cases. Our executive-level Improper Payments Oversight Board directs and monitors the effectiveness of all agency initiatives to reduce improper payments.

It is important to note that we are currently working with the Department of Labor (DOL) on a new data exchange to access data on FECA payments. We hope to move toward greater reliance on data from authoritative sources to administer our programs, and reduce our dependence on beneficiary self-reporting. Doing so will enable us to be more proactive and timely in identifying cases that may require offset. Our technicians currently have access to DOL’s agency query system (AQS) to verify information when a beneficiary reports to us that they receive payments under the federal employee compensation act. Our technicians have had access to the DOL FECA online database since 2006. In September 2008, DOL granted SSA increased access to their FECA online database. Our program service centers process the FECA offset workload. All program service centers continue to remind technicians of workflow instructions for the accurate development and processing of disability claims involving FECA payments. Each program service center informs technicians of FECA-specific training through operations bulletins (OBs), email reminders, short training sessions/demonstrations, regional memoranda, or guidance for AQS access.

We also appreciate your incorporating our input to the statement of facts in this version of the report. Please see below our responses to the recommendations. We also had a few additional technical comments that we provided at the staff level.

**Recommendation 1**

Review the potential DI overpayments resulting from FECA benefits identified in our case studies, as well as any indicators of fraudulent activity related to FECA benefits that were not

self-reported by DI beneficiaries, and establish debt-collection efforts and fraud-related penalties, as appropriate.

Response

We agree. We will review a sample of 25 cases from the 2,730 cases that GAO labels, “Unable to determine whether SSA detected concurrent FECA benefits for individuals who received concurrent FECA benefits.” We will also review the 1,040 cases that GAO labels, “SSA did not detect the receipt of FECA or any other workers’ compensation benefits.” We will complete the review by December 31, 2015.

**Recommendation 2**

Review the instances described in our report in which SSA staff did not obtain proof of FECA benefits that were reported by DI beneficiaries, and determine the reason for these occurrences and whether this is a pervasive problem. If necessary, design appropriate controls or make other efforts, such as staff training to help ensure SSA staff obtains proof of workers’ compensation payments, as required by SSA policy.

Response

We agree. We will determine the reasons for these occurrences during our review of the sample cases in recommendation 1. Once we determine the reasons for the case anomalies, we will determine if we need to take additional efforts such as, reminding employees to follow policy. We will also ensure that any new internal controls are policy compliant.

**Recommendation 3**

In accordance with OMB guidance, compare the costs and benefits of alternatives to SSA’s current approach for reducing the potential for overpayments that result from the concurrent receipt of FECA benefits, which relies on beneficiaries to self-report any FECA benefits they receive. These alternatives could include, among others, routinely matching DOL’s FECA program data with DI program data to detect potential DI overpayments.

Response

We agree. We will analyze alternatives to our current FECA benefit processes by December 31, 2015.

**Recommendation 4**

Strengthen internal controls designed to prevent DI overpayments due to the concurrent receipt of FECA benefits by implementing the alternative that provides the greatest new benefits.

Response

We agree. Once we conduct the analysis and case reviews, we will identify and decide on additional steps we may need to take to strengthen internal controls on the concurrent receipt of DI and FECA benefits.

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# Appendix V: GAO Contact and Staff Acknowledgments

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## GAO Contact

Seto J. Bagdoyan, (202) 512-6722 or [bagdoyans@gao.gov](mailto:bagdoyans@gao.gov)

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## Staff Acknowledgments

In addition to the contact named above, Marcus Corbin, Gabrielle Fagan (Assistant Director), Colin Fallon, Tim Guinane, Barbara Lewis, Olivia Lopez, Maria McMullen, Kevin Metcalfe, James Murphy, Jonathon Oldmixon, Anna Maria Ortiz, and Alexandra Stone made key contributions to this report.

# Appendix VI: Accessible Data

## Data Tables and Accessible Text

**Data Table for Figure 1: The Social Security Administration Detected Concurrent Federal Employees' Compensation Act Payments for Some, but Not All Individuals Reviewed**

GAO identified about 7,860 individuals who received concurrent Social Security Disability insurance (DI) and Federal Employees' Compensation Act (FECA) benefits in at least 1 month from July 2011 through June 2014

Number of individuals	Percentage	Status of SSA detection
Approximately 4,090 individuals	About 52%	SSA detected the receipt of FECA benefits
Approximately 2,730 individuals	About 35%	SSA detected the receipt of other non-FECA workers' compensation
Approximately 1,040 individuals	About 13%	SSA did not detect the receipt of FECA or any other workers' compensation benefits

Source: GAO analysis of Social Security Administration (SSA) and Department of Labor (DOL) data. | GAO-15-531

**Data Table for Figure 2: Estimated Social Security Disability Insurance Overpayments Based on Social Security Administration Stewardship Reviews for Fiscal Years 2009 through 2013**

Overpayment amount	Overpayment type
\$6.1 billion	Social Security Disability Insurance (DI) Overpayments [Note A]
\$982 million	Workers' Compensation and Public Disability Benefit related Overpayments [Note B]
\$371.5 million	Federal Employees' Compensation Act (FECA) related Overpayments [Note C]

Source: GAO analysis of Social Security Administration (SSA) data. | GAO-15-531

Note A: SSA estimated that \$6.1 billion in DI overpayments were made during the period covering fiscal years 2009 through 2013.

Note B: SSA estimated that \$982 million in overpayments were associated with the concurrent receipt of all types of workers' compensation and public disability benefits.

Note C: SSA officials stated that an estimated \$371.5 million in overpayments were associated with the concurrent receipt of FECA benefits.

**Data Table for Figure 3: The Social Security Administration's (SSA) Efforts to Collect \$718 million in Disability Insurance (DI) Overpayment Debts Related to Workers' Compensation and Public Disability Benefits Established in Fiscal Years 2010 through 2014 (Current Status as of November 2014)**

Amount type	Amount	Percentage
Amount collected by benefit adjustment [Note A]	\$309 million	43%
Unresolved amount [Note B]	\$253 million	35%

Amount type	Amount	Percentage
Amount waived [Note C]	\$97 million	14%
Amount collected by refund [Note D]	\$52 million	7%
Amount conditionally written off [Note E]	\$7 million	1%

Source: GAO analysis of Social Security Administration (SSA) data. | GAO-15-531

Note A: The amount collected by benefit adjustment refers to overpayment debts that SSA recovered by reducing subsequent benefits paid to the individual.

Note B: The amount that is unresolved refers to overpayment debts that have not been collected, waived, or conditionally written off as of November 2014. These debts could include new debt, debt under appeal, debt in a collection arrangement, and debt not in a collection arrangement.

Note C: The amount waived refers to the amount of overpayments forgiven because SSA determined that the overpaid person: (1) is without fault in causing the debt; and (2) recovery would either defeat the purpose of the act or be against equity and good conscience. A waiver permanently terminates collection of a debt and removes the debt from SSA's balance sheet.

Note D: The amount of debt collected by refund refers to debts to SSA paid off by the individual in lump sum or installments.

Note E: The amount of debt conditionally written off refers to debts that are removed from SSA's accounts receivable balance. However, SSA continues recovery efforts of qualified written-off debts through external collection activities, such as the Treasury Offset Program, credit bureau reporting and mandatory cross program recovery. If these efforts result in a collection or the individual becomes reentitled to benefits, SSA will reestablish the debt.

## Agency Comments

### Social Security Administration

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

**SOCIAL SECURITY**  
 SOCIAL SECURITY ADMINISTRATION  
 BALTIMORE, MD 21235-0001  
 Office of the Commissioner

June 18, 2015

Mr. Seto Bagdoyan  
 Director, Forensic Audits and Investigative Service  
 United States Government Accountability Office  
 441 G. Street, NW  
 Washington, DC 20548

Dear Mr. Bagdoyan:

Thank you for the opportunity to review the draft report, "DISABILITY INSURANCE: Actions Needed to Help Prevent Potential Overpayments to Individuals Receiving Concurrent Federal Workers' Compensation" (GAO-15-531). Please see our attached comments.

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

Sincerely,

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Signed by  
Frank Cristaudo  
Executive Counselor to the Commissioner Enclosure

**COMMENTS ON THE GOVERNMENT ACCOUNTABILITY OFFICE DRAFT REPORT, "DISABILITY INSURANCE: ACTIONS NEEDED TO HELP PREVENT POTENTIAL OVERPAYMENTS TO INDIVIDUALS RECEIVING CONCURRENT FEDERAL WORKERS' COMPENSATION" (GAO-15-531)**

Thank you for the opportunity to review the draft report. We take seriously our responsibility to effectively, efficiently, and accurately administer our programs, and protect trust fund and tax dollars by curbing improper payments. It is a cornerstone of our mission. Our Disability Insurance (DI) benefit payments—that help replace a portion of the lost earnings of workers who can no longer work due to significant health problems—are very accurate. Our current internal quality reviews indicate that over 99 percent of payments are free of overpayment or underpayment.

Although improper payments caused by DI beneficiaries also receiving Federal Employees Compensation Act (FECA) benefits represent a small portion of the relatively small amount of DI overpayments, we agree there is potential for improvement and we will assess our current processes. In addition, we are committed to reducing improper payments and have identified several strategic initiatives to assist us in this endeavor, some of which involve data exchanges, systems improvements to identify cases, and alerts to ensure timely corrective action on cases. Our executive-level Improper Payments Oversight Board directs and monitors the effectiveness of all agency initiatives to reduce improper payments.

It is important to note that we are currently working with the Department of Labor (DOL) on a new data exchange to access data on FECA payments. We hope to move toward greater reliance on data from authoritative sources to administer our programs, and reduce our dependence on beneficiary self-reporting. Doing so will enable us to be more proactive and timely in identifying cases that may require offset. Our technicians currently have access to DOL's agency query system (AQS) to verify information when a beneficiary reports to us that they receive payments under the federal employee compensation act. Our technicians have had access to the DOL FECA online database since 2006. In September 2008, DOL granted SSA increased access to their FECA online database. Our program service centers process the FECA offset workload. All program service centers continue to remind technicians of workflow instructions for the accurate development and processing of disability claims involving FECA payments. Each program service center informs technicians of PECA-specific training through operations bulletins (OBs), email reminders, short training sessions/demonstrations, regional memoranda, or guidance for AQS access.

We also appreciate your incorporating our input to the statement of facts in this version of the report. Please see below our responses to the recommendations. We also had a few additional technical comments that we provided at the staff level.

**Recommendation 1:** Review the potential DI overpayments resulting from FECA benefits identified in our case studies, as well as any indicators of fraudulent activity related to FECA benefits that were not

self-reported by DI beneficiaries, and establish debt-collection efforts and fraud-related penalties, as appropriate.

**Response:** We agree. We will review a sample of 25 cases from the 2,730 cases that GAO labels, "Unable to determine whether SSA detected concurrent FECA benefits for individuals who received concurrent FECA benefits." We will also review the 1,040 cases that GAO labels, "SSA did not detect the receipt of FECA or any other workers' compensation benefits." We will complete the review by December 31, 2015.

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**Recommendation 2:** Review the instances described in our report in which SSA staff did not obtain proof of FECA benefits that were reported by DI beneficiaries, and determine the reason for these occurrences and whether this is a pervasive problem. If necessary, design appropriate controls or make other efforts, such as staff training to help ensure SSA staff obtains proof of workers' compensation payments, as required by SSA policy.

**Response:** We agree. We will determine the reasons for these occurrences during our review of the sample cases in recommendation 1. Once we determine the reasons for the case anomalies, we will determine if we need to take additional efforts such as, reminding employees to follow policy. We will also ensure that any new internal controls are policy compliant.

**Recommendation 3:** In accordance with OMB guidance, compare the costs and benefits of alternatives to SSA's current approach for reducing the potential for overpayments that result from the concurrent receipt of FECA benefits, which relies on beneficiaries to self-report any FECA benefits they receive. These alternatives could include, among others, routinely matching DOL's FECA program data with DI program data to detect potential DI overpayments.

**Response:** We agree. We will analyze alternatives to our current FECA benefit processes by December 31, 2015.

**Recommendation 4:** Strengthen internal controls designed to prevent DI overpayments due to the concurrent receipt of FECA benefits by implementing the alternative that provides the greatest new benefits.

**Response:** We agree. Once we conduct the analysis and case reviews, we will identify and decide on additional steps we may need to take to strengthen internal controls on the concurrent receipt of DI and FECA benefits.

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