

Office of the Inspector General

December 20, 1999

William A. Halter
Deputy Commissioner
of Social Security

Inspector General

The Social Security Administration's Controls over Impairment-Related Work Expense
Income Exclusions (A-01-98-61010)

Attached is a copy of the subject final report. The objective of this audit was to review and analyze the Social Security Administration's (SSA) controls to ensure the accuracy of impairment-related work expense (IRWE) income exclusions under the Supplemental Security Income program. Specifically, we determined whether SSA documented the need for items or services and the payment for items or services before approving IRWE income exclusions.

You may wish to comment on any further actions taken or contemplated on our recommendations. If you choose to comment, please provide your comments within 60 days from the date of this memorandum. If you wish to discuss the final report, please call me or have your staff contact Daniel R. Devlin, Acting Assistant Inspector General for Audit, at (410) 965-9700.

James G. Huse, Jr.

Attachment

**OFFICE OF
THE INSPECTOR GENERAL**

SOCIAL SECURITY ADMINISTRATION

**THE SOCIAL SECURITY
ADMINISTRATION'S CONTROLS
OVER IMPAIRMENT-RELATED WORK
EXPENSE INCOME EXCLUSIONS**

December 1999

A-01-98-61010

AUDIT REPORT



EXECUTIVE SUMMARY

OBJECTIVE

The objective of this audit was to review and analyze the Social Security Administration's (SSA) controls to ensure the accuracy of impairment-related work expense (IRWE) income exclusions under the Supplemental Security Income (SSI) program. Specifically, we determined whether SSA documented the need for items or services and the payment for items or services before approving IRWE income exclusions.

BACKGROUND

In 1972, Congress enacted the SSI program under title XVI of the Social Security Act. The SSI program provides a minimal level of income to financially needy individuals who are aged, blind, or disabled. The SSI program includes work incentive provisions, which are intended to give individuals the support they need to move from dependency to self-sufficiency.

One such work incentive is the IRWE provision. The IRWE provision was enacted by Congress to encourage disabled individuals to return to work. It allows an individual to deduct from gross earnings the amount the individual pays toward the costs of items and services that enable the person to work. Since SSI is a needs based program, to qualify for SSI payments, an individual's income must be below a certain level. By deducting IRWE from income, a disabled individual may earn greater wages and still qualify for SSI payments. IRWE deductions can be made only if: (1) the cost of the item or service is paid by the person with the disability; and (2) the person has not been, and will not be, reimbursed for the expense. SSA field office (FO) personnel determine whether expenses may be deducted from earnings under the IRWE provision.

RESULTS OF REVIEW

SSA does not have adequate internal controls to ensure that IRWE income exclusions are properly verified and documented prior to SSI benefits being paid. In this regard, SSA's employees do not always follow established policies and procedures to verify and document the need and payment for items or services before approving IRWE income exclusions. Our review shows that SSA needs to strengthen its process for documenting IRWE income exclusions to ensure the accuracy of benefit payments under the SSI program. By not documenting the support for IRWE exclusions, SSA cannot be certain that an estimated \$1.98 million in SSI benefits were properly paid to about 6,610 recipients in Calendar Year (CY) 1997.

Our random sample of 200 cases from a population of 15,738 records with IRWE income exclusions in CY 1997 showed that:

- 58 cases did contain evidence to support all of the IRWE income exclusions deducted;
- 93 cases did not contain evidence to support \$60,662 in IRWE income exclusions;
- 44 cases were not applicable to our review; and
- 5 case folders were not provided by SSA and, hence, could not be reviewed.

We identified \$60,662 in unsupported CY 1997 IRWE income exclusions for 93 sampled records. These unsupported IRWE income exclusions resulted in potential SSI overpayments of \$25,135 to 84 SSI recipients. Projecting our sample results to the population of CY 1997 cases with IRWE exclusions, we estimate that 7,318 cases do not contain documentation to support \$4,773,493 in IRWE exclusions. Since SSA did not support the IRWE exclusions before issuing SSI payments to these recipients, SSA has no assurance that the resulting SSI payments were proper. We estimate that the unsupported IRWE exclusions for these recipients resulted in \$1.98 million in SSI benefits paid to 6,610 recipients.

To assist SSA's employees in developing IRWE exclusions, a Modernized SSI Claims System (MSSICS) Help Screen could be developed. This would both help to ensure that IRWE income exclusions are made available to eligible recipients and strengthen controls over SSA's process to approve IRWE exclusions.

RECOMMENDATIONS

We recommend that SSA:

- emphasize to its employees the importance of following established policies and procedures to verify and document the need and payment for items or services before approving IRWE income exclusions; and
- revise MSSICS to assist its employees in developing and verifying IRWE income exclusions.

AGENCY COMMENTS

In response to our draft report, SSA officials expressed concern that we may have overstated our estimate of SSI overpayments because our estimate was based, in part, on cases in which no IRWE income exclusion documentation was contained in the case folders or in MSSICS. SSA officials did, however, agree with both of our recommendations. In response to our first recommendation, SSA stated that FO

employees have received training on developing and documenting IRWE, both in MSSICS and in the case folder. In response to our second recommendation, SSA noted that officials have instructed FO employees to use the remarks field in MSSICS to document the fact that IRWE exclusions were verified in MSSICS cases. (See Appendix B for the full text of SSA's comments to our draft report).

OFFICE OF THE INSPECTOR GENERAL RESPONSE

We acknowledge that in 71 of the 93 cases with unsupported IRWE we could not locate documentation related to IRWE income exclusions in the case folders or in MSSICS. We also noted that, without documentation, we have no way to determine whether the evidence was ever obtained and reviewed in accordance with SSA's policies and procedures; and, therefore, SSA has no assurance that the resulting SSA payments were proper.

With respect to SSA's response to our second recommendation, we believe SSA should take action beyond that described in its response. In our opinion, providing instructions to FO employees to use the remarks field for this purpose, without also modifying the MSSICS screen, will not provide adequate assurance that FO employees follow appropriate verification procedures.

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INTRODUCTION

OBJECTIVE

The objective of this audit was to review and analyze the Social Security Administration's (SSA) controls to ensure the accuracy of impairment-related work expense (IRWE) income exclusions under the Supplemental Security Income (SSI) program. Specifically, we determined whether SSA documented the need for items or services and the payment for items or services before approving IRWE income exclusions.

BACKGROUND

In 1972, Congress enacted the SSI program under title XVI of the Social Security Act. The SSI program provides a minimal level of income to financially needy individuals who are aged, blind, or disabled. SSA's disability programs include work incentive provisions that are intended to give individuals the support they need to move from dependency to self-sufficiency. However, SSA has admitted that the dissemination of work incentive information may not always be consistent, because field office (FO) employees have a broad range of responsibilities. Furthermore, SSA recognizes that its work incentives are sometimes difficult to understand and administer. Some FOs may have developed expertise in SSA's work incentives because of higher volumes of work incentive questions and workloads than others. In its plans to improve the SSI program, SSA has ongoing initiatives to support more directly the efforts of those who are able to join the work force. To that end, SSA is expanding the availability of employment and rehabilitation services, extending SSA's work support programs and improving work incentive information to beneficiaries.

One of SSA's current work incentive programs is the IRWE provision. Under the IRWE provision, the costs of certain impairment-related items and services that a person needs to work are deducted from gross earnings in figuring substantial gainful activity¹ (SGA), even if these items and services are also needed for nonwork activities. Some examples of costs that can be deducted under IRWE include expenses related to attendant care services, durable medical equipment, prostheses, routine drugs, and routine medical services necessary for the control of the disabling condition. The deductions can be made only if: (1) the cost of the item or service is paid by the person

¹ Program Operations Manual System DI 10501.001 states that substantial gainful activity means performance of significant physical or mental activities in work for pay or profit, or in work of a type generally performed for pay or profit. Significant activities are useful in the accomplishment of a job or the operation of a business and have economic value.

with the disability; and (2) the person has not been, and will not be, reimbursed for the expense. In September 1998, some 2.9 percent of the SSI disabled workers had a portion of their income excluded under IRWE.²

In calculating gross earnings, SSA's FO personnel determine whether expenses may be deducted from earnings. If so, they deduct the amount a person pays towards the cost of the items and services. After these expenses are deducted, SSA staff makes a determination as to whether a recipient's earnings represent SGA. IRWE may reduce earnings below the SGA-level and SSA staff excludes IRWE items from earned income in calculating an SSI recipient's monthly benefit payment.

In determining whether an expense can be deducted under the IRWE provision, FO personnel must determine and document whether:

- the expense enables a person to work;
- the person, because of a severe physical or mental impairment, needs the item or service for which the expense is incurred in order to work;
- the cost is paid by the person with a disability and is not reimbursed by another source (e.g., Medicare, Medicaid, private insurance, etc.);
- the expense is "reasonable"—that is, it represents the standard charge for the item or service in the person's community;
- the expense (for SGA purposes) is paid in a month in which the person with a disability is or was working (occasionally, an IRWE may be used before the first or after the last month of work activity); and
- the expense (for SSI payment purposes) is paid in a month in which earned income is received or work is performed while the person used the impairment-related item or service. (In unusual situations, when the payment of an IRWE does not correspond to a work month, it may be possible to deduct it.)

SSA's requirements for verifying IRWE income exclusions are stated in title 20 of the Code of Federal Regulations, sections 416.976(g) and 416.1111. Social Security Ruling 84-26 summarizes these responsibilities by detailing how SSA, before approving an IRWE, must verify and document the: (1) need for the item or service; and (2) payment for the item or service.

² "Quarterly Report on SSI Disabled Workers and Work Incentive Provisions," September 1998, Social Security Administration, Office of Research, Evaluation and Statistics.

SCOPE AND METHODOLOGY

To accomplish our objective, we:

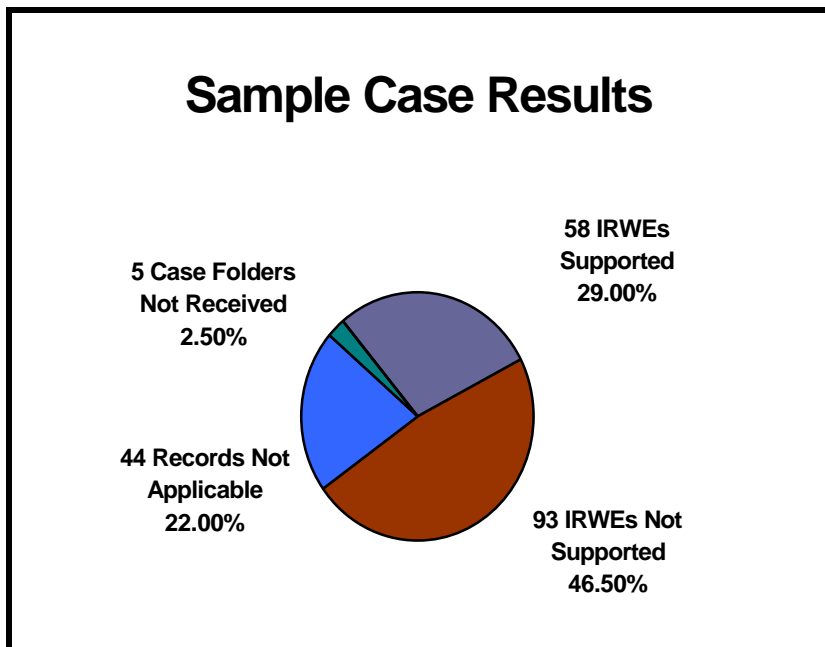
- obtained an extract of 20,272 records of SSI recipients who had IRWE income exclusions that covered any month during CY 1997;
- visited a FO to conduct preliminary tests of SSA's controls over IRWE income exclusions;
- established a sampling frame consisting of 15,738 of the 20,272 records in the population, after eliminating 4,534 records for recipients who did not receive benefit payments in CY 1997 or whose records were duplicated in our population;
- randomly selected a sample of 200 records from the sampling frame using a simple random sample design;
- requested case folders from SSA for the 200 sampled records;
- reviewed documentation contained in the case folders received from SSA;
- discussed our findings with a SSA official with regard to cases where adequate documentation was not found in the case folders;
- obtained and reviewed available MSSICS records for selected sample cases; and
- appraised the results of our sample and projected to the population the number of recipients and amount of unsupported IRWE and the resultant number of recipients and amount of potential SSI overpayments (see Appendix A for details on our sampling methodology).

Our review only included those internal controls related to whether SSA maintained the required evidence to support the IRWE exclusions allowed. We conducted our audit during the period of August 1998 to February 1999 in Boston, Massachusetts. This review was conducted in accordance with generally accepted government auditing standards.

RESULTS OF REVIEW

SSA does not have adequate internal controls to ensure that IRWE income exclusions are properly verified and documented prior to SSI benefits being paid. In this regard, SSA's employees do not always follow established policies and procedures to verify and document the need and payment for items or services before approving IRWE income exclusions. Our review shows that SSA needs to strengthen its process for documenting IRWE income exclusions to ensure the accuracy of benefit payments under the SSI program. By not documenting the support for IRWE exclusions, SSA cannot be certain that an estimated \$1.98 million in SSI benefits were properly paid to about 6,610 recipients in CY 1997.

Work incentives such as the IRWE income exclusion provision are intended to give SSI recipients the support they need to move from dependency to self-sufficiency through work. SSA's employees are responsible for administering the IRWE income exclusion provisions in compliance with all relevant laws, regulations, and operating guidelines. Our findings show that SSA's employees are not fully meeting their responsibilities.



Our random sample of 200 cases from a population of 15,738 records with IRWE income exclusions in CY 1997 showed that:

- 58 cases did contain evidence to support all of the IRWE income exclusions deducted;
 - 93 cases did not contain evidence to support \$60,662 in IRWE income exclusions;
- 44 cases were not applicable to our review; and
 - 5 case folders were not provided by SSA and, hence, could not be reviewed.

Supported IRWE Income Exclusions

In our review of the case folders from the sampled records, we determined that IRWE income exclusions were supported in 58 cases because the case folders contained adequate documentation. We considered documentation adequate when it contained sufficient, competent, and relevant evidence of need and payment and the exclusions were mathematically accurate and within reasonable limits for the type of expense claimed. We also reviewed IRWE-related MSSICS screens to determine whether there were any remarks that the IRWE income exclusions had been verified.

Unsupported IRWE Income Exclusions

In 93 cases, the documentation supporting the IRWE exclusions was inadequate or absent. In 84 of these 93 cases, if the IRWE exclusions were not considered, the SSI benefits paid to the recipients in CY 1997 would have been less than the amount actually paid by SSA.

We identified \$60,662 in unsupported CY 1997 IRWE income exclusions for these 93 sampled records. These unsupported IRWE income exclusions resulted in potential SSI overpayments of \$25,135 to 84 SSI recipients. Projecting our sample results to the population of CY 1997 cases with IRWE exclusions, we estimate that 7,318 cases do not contain documentation to support \$4,773,493 in IRWE exclusions. Since SSA did not support the IRWE exclusions before issuing SSI payments to these recipients, SSA has no assurance that the resulting SSI payments were proper. We estimate that the unsupported IRWE exclusions for these recipients place at risk \$1.98 million in SSI benefits paid to 6,610 recipients.

In 22 of the 93 cases, documentation to support the CY 1997 IRWE income exclusion was included in SSA's records, but that documentation was inadequate to support the exclusion. For example, in one instance, the recipient's case folder contained a letter dated May 1994, which estimated transportation expenses to be \$35 per month. An IRWE exclusion was not posted in CY 1994, but was posted for CY 1997 in the amount of \$900 for August through December 1997. The case folder contained no IRWE documentation other than the above-mentioned 1994 letter for \$35 per month in transportation expenses. The 1994 letter supporting \$35 per month in expenses was not adequate documentation for the 1997 IRWE exclusion of \$100 in August 1997 and \$200 per month for September through December 1997. Without the CY 1997 IRWE income exclusion of \$900, the recipient's SSI payments would have been \$450 less.

In 71 of the 93 cases with unsupported IRWE, there was no documentation related to

these 71 cases or whether they reviewed the evidence without documenting their review, as we did not think it practical to expect they would remember what actions they had taken to document CY 1997 IRWE expenses.

Records Not Applicable to Our Review

Of the 200 cases sampled for our review, 44 no longer had IRWE exclusions recorded on their Supplemental Security Income Records when we reviewed the cases. At the time we requested that SSA extract these records in March 1998, IRWE exclusions had been present on these records. However, when we sampled the individual records as part of our field work, their circumstances had changed:

- 33 cases had changed such that they no longer showed any CY 1997 SSI payments due;
- 7 cases had changed such that they no longer showed any CY 1997 IRWE income exclusions; and
- 4 cases showed that the IRWE field had been used to facilitate non-IRWE related adjustments to income.

In conducting our review, we excluded these cases and considered them to be properly handled by SSA with regard to CY 1997 IRWE income exclusions.

Case Folders Not Received from SSA

We did not receive five of the case folders associated with cases sampled for our review. SSA staff was unable to locate four case folders and one folder was apparently lost in the mail. In our attempt to locate the four case folders, we made repeated contacts with SSA staff at various SSA office locations. With respect to the fifth case, an SSA staff person stated that the case folder had been forwarded to us, but we did not receive it.

IRWE and MSSICS

To assist SSA staff in processing claims, a new claims system was implemented called MSSICS. MSSICS is a system developed to maintain information—in an online, electronic format—which was previously captured on paper documents. The system was initially implemented as a pilot in March 1991 and was later expanded until all offices were using it in March 1993.

In a prior Office of the Inspector General Report (OIG),³ we identified cases in which claims representatives (CR) did not consider IRWE in determining eligibility and benefit

³ “Payment Accuracy Task Force: SSI Earned Income Issue Team,” (A-13-98-51010), Social Security Administration, Office of the Inspector General, Office of Audit, issued September, 1998.

amounts. We reviewed these cases with CRs and it became evident that CRs do not encounter IRWE issues on a daily or even monthly basis and that CR experience in the development of these cases varies widely. In addition to CRs not encountering many IRWE cases, during the CR training class, only 1 day is spent on all work incentive provisions. CRs also told us that they often have very little time during the claims process to refer to the Program Operations Manual Systems; therefore, it is possible that the development and verification of these expenses is overlooked. They also stated that it would be helpful if MSSICS could be modified to provide on-line assistance, particularly for CRs in offices that have few IRWE cases.

The prior report concluded that, to assist CRs, a MSSICS Help Screen could be developed for completing the Disabled Work Expense Screen. This Help Screen should provide CRs with a listing of the most common IRWE, a reminder that the expenses must be verified, as well as the related procedural references. This would ensure that IRWE income exclusions are made available to eligible recipients and strengthen controls over SSA's process to approve IRWE exclusions.

RECOMMENDATIONS

We recommend that SSA:

1. emphasize to its employees the importance of following established policies and procedures to verify and document the need and payment for items or services before approving IRWE income exclusions; and
2. revise MSSICS to assist SSA's employees in developing and verifying IRWE income exclusions.

AGENCY COMMENTS

In response to our draft report, SSA officials expressed concern that we may have overstated our estimate of SSI overpayments because our estimate was based, in part, on cases in which no IRWE income exclusion documentation was contained in the case folders or in MSSICS. SSA officials did, however, agree with both of our recommendations. In response to our first recommendation, SSA stated that FO employees have received training on developing and documenting IRWE, both in MSSICS and in the case file. In response to our second recommendation, SSA noted that officials have instructed FO employees to use the remarks field in MSSICS to document the fact that IRWE exclusions were verified in MSSICS cases.

OIG RESPONSE

We acknowledge that in 71 of the 93 cases with unsupported IRWE we could not locate documentation related to IRWE income exclusions in the case folders or in MSSICS. We recognize the possibility that, with respect to these 71 cases, SSA employees reviewed documentation that supported the allowance of the IRWE income exclusion without documenting their review. However, without documentation, we have no way to determine whether the evidence was ever obtained and reviewed in accordance with SSA's policies and procedures. For this reason, we reported that since SSA's records did not support the IRWE exclusions before issuing SSI payments to the recipients, SSA had no assurance that the resulting SSA payments were proper.

With respect to SSA's response to our second recommendation, we believe SSA should take action beyond that described in its response. The MSSICS screens should include instructions which assist FO employees with IRWE exclusions and input fields that require staff to document whether they verified IRWE exclusions. In our opinion, providing instructions to FO employees to use the remarks field for this purpose, without also modifying the MSSICS screen, will not provide adequate assurance that FO employees follow appropriate verification procedures.

APPENDICES

SAMPLE RESULTS

Sample Results and Projections	
Population Size	15,738
Sample Size	200
Attribute Projection	
Sampled Records Not Fully Supported	93
Projection of Records Not Fully Supported	7,318
Projection Lower Limit	6,382
Projection Upper Limit	8,267
Sampled Records Not Fully Supported with Effect on Supplemental Security Income (SSI) Payments	84
Projection of Records with Effect on SSI Payments	6,610
Projection Lower Limit	5,691
Projection Upper Limit	7,557
Dollar Projections	
Impairment-Related Work Expense (IRWE) Exclusions Not Supported	\$60,662
Projection of IRWE Exclusions Not Supported	\$4,773,493
Projection Lower Limit	\$3,693,583
Projection Upper Limit	\$5,853,402
SSI Benefits Paid Based on Unsupported IRWE Exclusions	\$25,135
Projection of SSI Benefits Paid Based on Unsupported IRWE Exclusions	\$1,977,891
Projection Lower Limit	\$1,492,961
Projection Upper Limit	\$2,462,822

Note: Precision figures were calculated at the 90-percent confidence level.

AGENCY COMMENTS

COMMENTS ON THE OFFICE OF THE INSPECTOR GENERAL (OIG) DRAFT REPORT, "THE SOCIAL SECURITY ADMINISTRATION'S CONTROLS OVER IMPAIRMENT-RELATED WORK EXPENSE INCOME EXCLUSIONS" (A-01-98-61010)

Thank you for the opportunity to review this draft report.

The objective of the audit was to review and analyze the Social Security Administration's (SSA) controls to ensure the accuracy of impairment-related work expense (IRWE) income exclusions under the Supplemental Security Income (SSI) program in order to determine whether SSA documented the need for items or services and the payment for items or services before approving IRWE income exclusions.

We are concerned that in 71 of the cases the OIG examined, there was no documentation related to IRWE income exclusions in the case folders or in the Modernized Supplemental Security Income Claims System (MSSICS) and have taken action to make employees more aware of required procedures for documenting IRWE. It should be noted, however, that OIG acknowledged that evidence may have been reviewed in those cases and not documented in the file. Therefore, concluding that all of these cases may have resulted in potential SSI overpayments may substantially overstate the overpayment estimate.

Our response to the report's two recommendations follows.

OIG Recommendation

Emphasize to SSA employees the importance of following established policies and procedures to verify and document the need and payment for items or services before approving IRWE income exclusions.

Social Security Administration (SSA) Comment

We agree and are pleased to report that this recommendation has already been implemented. As part of the SSI High-Risk initiative, field offices (FOs) received training on earned income, including how to develop and document IRWEs, both in MSSICS and in the case file. In addition, the Agency, as part of its Strategic Plan, is creating an employment support specialist (ESS) position, for which employees will be trained and dedicated to the task of serving those beneficiaries who want to enter or reenter the workforce. The ESS will be

responsible for all the work incentive activities in FOs, and will receive intensive training in all employment support policies and procedures.

OIG Recommendation

Revise MSSICS to assist SSA employees in developing and verifying IRWE income exclusions.

SSA Comment

As described to OIG in the exit conference, MSSICS help screens already exist for IRWE exclusions. The screens list common types of IRWEs, as well as procedural references directing the users to the policy for computing and verifying these expenses. The same is true for Blind Work Expenses. As part of the SSI High-Risk training mentioned above, FO employees were instructed to use the remarks field to document the fact that IRWEs were verified in MSSICS cases.

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For additional copies of this report, please contact the Office of the Inspector General's Public Affairs Specialist at (410) 966-5998. Refer to Common Identification Number A-01-98-61010.

SSA ORGANIZATIONAL CHART
